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ABSTRACT

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 purports to reform welfare policy and encourage parents to achieve self-sufficiency, but the legislation raises many problems for children and their families. This guide is designed to highlight an array of decisions regarding the most important welfare and child care issues resulting from this federal legislation. The issues analyzed are: timing of state decisions for new welfare programs; funding; making work requirements work for families; helping families stabilize work and escape poverty; helping families succeed off welfare; protecting children; child care; and strengthening families. For each of these issues, the guide highlights a promising program model. The guide's five appendices contain data, listed by state, on: TANF (Temporary Assistance for Needy Families) funding for fiscal year 1997; change in welfare caseloads for 5 years; state maintenance of effort levels as required by the federal law; estimated fiscal year 2007 state allocations for the child care and development fund; and time limits on assistance. (JPB)

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Lemon-Aid?

Making the New Welfare Law Work for Children and Families

by
Nancy Ebb

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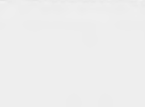

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GLOSSARY

AFDC	Aid to Families with Dependent Children (repealed)
CBO	Congressional Budget Office
CCDBG	Child Care and Development Block Grant
EIC	Earned Income Credit
ET	Employment and Training
FY	Fiscal Year
GAO	U.S. General Accounting Office
HHS	U.S. Department of Health and Human Services
GED	General Equivalency Diploma
JOBS	Job Opportunities and Basic Skills Training Program (repealed)
MOE	Maintenance of Effort
PRWORA	P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996
TANF	Temporary Assistance for Needy Families Block Grant
Title XX	Social Services Block Grant (Title XX of Social Security Act)

OVERVIEW

Ending welfare as we know it. A hand up, not a handout. Work, not welfare.

When it comes to the rhetoric of welfare reform, we're all in agreement. But what does it mean to real families? Real children? Will welfare "reform" be a way to help parents work? To help children grow, thrive, and escape poverty? Or will it simply save government money and reduce the welfare rolls, with no assurance that children are better off? Can policy makers and advocates work with a new federal law that slashes help for children and families to make it more positive? Implementing welfare "reform" presents real-world opportunities, practical problems, and moral challenges.

The federal welfare law [P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996] was passed by Congress and signed into law by the President on August 22, 1996. Cuts in federal funds for a broad range of safety net programs total $54 billion over six years. Estimates commissioned by the Administration indicate the new law will plunge 1.1 million children into poverty.

The new law eliminates the long-standing promise that so long as children and their parents fit state eligibility criteria, they will be guaranteed help so that they will not be destitute. It sets a lifetime time limit on welfare that impels parents to move quickly off the welfare rolls, yet it does not invest a penny more in federal dollars to help parents find and succeed in work.

States have enormous latitude about how to shape their welfare programs under the new federal law. The decisions made at the state level in the coming months and years will have a profound effect on whether parents can succeed in their efforts to leave welfare for work, and whether children will thrive or simply drop off the welfare rolls into greater destitution.

Advocates, legislators, and administrators face a dizzying array of decisions clamoring for immediate attention. This guide is designed to flag some of the most important welfare and child care issues, to suggest choices that are important for children, and to draw on what we can learn from the research and promising model programs. Each section is designed to stand on its own, so that busy readers can read a section at a time without wading through the entire guide. To give a sense of how the pieces fit together, though, this overview sketches briefly the key implementation questions that must be answered.

Timing of State Decisions

✓ **Even if your state has begun implementation of the new federal law, is there still an opportunity to shape your state's welfare reform program?**

Although states were given until July 1997 to submit a state plan that describes how they will meet the new federal law's requirements, many states submitted state plans earlier because once they had an approved plan they could begin receiving federal block grant funds. In the short run, block grant funds may mean more money than states would have received under the old law. These plans tend to be vague and can easily be amended. If your state has submitted such a plan, is there still room for your input into what the program looks like? In many states, the answer is a resounding yes.

✓ **Has your state chosen to keep waiver policies in place?**

Before the new law, most states obtained federal "waiver" approval to establish policies that were different from those required under the old law. States can choose to continue or end waivers that were granted before the new law, and to operate under these waivers for the period they received federal approval.

Is your state keeping waiver policies in place, and does this provide additional time for planning?

Funding

✓ **Is there a TANF block grant "windfall," and what is happening with it?**

Because block grant funds were allocated to states based on past caseloads, and many state caseloads have gone down, many states have short-term windfalls in their welfare block grants.

If your state has a windfall, is it being reinvested in children and families in ways that make sense?

✓ **If there is surplus child care funding in the early years, where is your state investing the surplus?**

New federal child care dollars are basically evenly allocated from year to year, but new federal work requirements climb steeply over time. This means in the early years there may be extra child care dollars that are desperately needed by an underfunded child care system but that are not immediately needed to meet child care demands generated by work requirements.

Are these child care dollars being invested where the need is greatest?

✓ Is your state meeting MOE requirements?

To receive **welfare** block grant funds, your state must keep up 75 or 80 percent of its historical level of spending (depending on whether it meets work participation requirements). To receive new federal **child care** funds, your state must keep up 100 percent of historical child care spending. To receive welfare **contingency** funds in times of recession, your state must keep up 100 percent of its historical spending level, or maintenance of effort (MOE), using a narrower definition than the basic welfare MOE requirement.

Is your state meeting these MOE requirements, and are state dollars used to meet these requirements being invested wisely in programs that make sense?

✓ Is your state using state welfare dollars thoughtfully and creatively?

State funds used to meet federal MOE requirements may be invested in programs that serve low-income families with children but that do not include some of the harshest federal provisions (for example, they may be used to help families after the five-year time limit).

Will your state use state funds in (a) "blended" state-federal TANF program (in which money is not segregated and identical program requirements apply to federal and state dollars); (b) in a single program where state dollars are segregated from federal dollars and the same general program requirements apply (though some may vary with the funding source); or (c) in a wholly separate state-funded program that may be quite different from the TANF program?

These choices make a difference, since federal requirements such as the five-year time limit may or may not apply to state funds, depending on how a program is set up.

✓ Is your state keeping money in the pots that make the most sense?

In addition to choices about how to spend **state** dollars states have the option of transferring a portion of their **federal** welfare block grant dollars into child care and social services. Help provided through the child care and social services "pots" is not subject to welfare restrictions (such as the five-year time limit).

What decisions is your state making about where to put its federal dollars?

✓ What will your state do to meet greater need in time of recession when caseloads go up?

Ideally states will make provisions for funding welfare at higher levels when caseloads go up, either through a "rainy day" fund or a guarantee that each family that meets eligibility criteria will be helped, or steps to ensure that the state can qualify for federal contingency funds.

Has your state made these types of provisions?

Making the Work Requirements Work for Families

✓ Does your state have the funds it needs to invest in putting families to work?

Successful welfare-to-work programs require investing in families. The CBO has estimated that the federal welfare block grant is $12.6 billion short in funds needed to put parents to work.

Has your state allocated what it takes to help families succeed?

✓ Has your state taken advantage of all federal options to make the cost of work programs more manageable?

The new federal law gives states a number of options—allowing parents of young children to work part-time, for example—that can help keep the cost of work programs from spinning out of control.

Has your state chosen these options?

✓ Has your state constructed a work program that not only meets federal work targets but also makes sense in terms of what families need to succeed in the world of work?

Different parents need different help in order to succeed. Some could avoid welfare altogether if they got a short-term "boost." Others can move off quickly with minimal help. Still others need considerably more help.

How will your state "sort" what parents need? Is education or training available when parents cannot find work at a family-supporting wage without it? Is special, more intensive help available to parents who face multiple barriers—for example, domestic violence, low skills levels, and physical or emotional health issues—to finding and keeping a job? Do families get help **after** they find work to stabilize employment?

Helping Families Stabilize Work and Escape Poverty

✓ Is your state providing the noncash supports that families often need to make work a viable alternative to welfare?

Finding a job is the beginning. To keep a job and succeed off welfare, many families need help with health coverage, child care, and transportation.

What steps has your state made to plan for these services?

Helping Families Succeed Off Welfare

✓ Is your state recognizing efforts to work by making sure that parents who go to work in low-wage jobs get enough to sustain their families off welfare?

Many welfare parents find such low-paying employment that they cannot earn enough to sustain their families through work alone.

Is your state using federal welfare dollars or state MOE money to supplement earned income in these cases? Is it maximizing other potential sources of support for working families, such as through outreach to make sure they receive state and federal tax credits they qualify for?

Protecting Children

✓ What happens to children whose parents exceed time limits on welfare?

Federal law sets an absolute five-year time limit on federal welfare help for parents. Some states have set shorter time limits. Will your state protect children and prevent family breakup by providing some form of continuing help to children? States can also use federal dollars to continue helping 20 percent of the caseload after the five-year time limit and should establish criteria for continuing aid that protect children (e.g., where ongoing help is necessary due to domestic violence or other abuse, the need to care for a child or family member with disabilities, or a relative's need to care for a child who cannot live safely with his or her parents).

✓ When and how will your state sanction families for parental failure to cooperate with work or child support requirements?

The new law provides that states must penalize parents who do not cooperate with work or child support requirements by reducing or altogether eliminating their grants. States should choose the lesser penalty to lessen the harm to children. They should establish careful presanction procedures to make sure parents know the seriousness of the possible penalty and to explore whether there are valid reasons for noncompliance.

✓ Will your state maintain a system of emergency help for families with children?

The new federal welfare block grant folds in funds that many states formerly used for emergency assistance to families with children. Will your state maintain emergency help for these families, and, if so, will it provide that help without counting it toward the five-year time limit?

✓ Will your state provide important protections to victims of domestic violence?

The new law gives states the option of screening, identifying, counseling, and exempting victims of domestic violence from certain federal welfare requirements (such as the five-year time limit). Because there is such a high incidence of domestic violence in the welfare population, it is important to identify vulnerable families in a nonthreatening manner. States should carefully assess the barriers they face and services that would help.

✓ Will your state protect minor parents and their children?

Will your state make sure that minor parents and their children who cannot live at home have a safe place to live, and enough income to meet basic needs, or will the state simply cut off aid without looking carefully at the minor parent's living circumstances?

Strengthening Families

✓ Will your state provide supports that help keep families together, or will it deny aid and increase the likelihood that troubled families continue a downward spiral?

Will your state help strengthen families by easing welfare eligibility requirements for two-parent families; making it easier for children who cannot live with their parents to live with other responsible relatives; helping parents maintain a home if children are briefly absent during a family crisis; and using emergency assistance funds to provide family support and other child protection activities?

ANALYSIS

TIMING OF STATE DECISIONS

Even before the new federal law passed, many states had passed state welfare "reform," or applied to the U. S. Department of Health and Human Services for "waiver" authority to operate welfare programs that did not strictly conform to the requirements of the old federal law. Now, many states have begun to operate programs under the new law.* **With so much activity, is there still room to become involved in the process?** The answer is a resounding yes.

In many states, the process of implementation has just begun. Even if initial decisions have been made, programs will be fleshed out along the way. Continuing involvement is essential to help shape programs that help make sense and that genuinely help parents move from welfare to work. Understanding what decisions must be made and when, provides direction on how and when to become involved.

✓ When do states have to file a state plan, and what does filing a plan mean?

States must file a welfare state plan with HHS by July 1, 1997, stating how they will meet the requirements of the new federal welfare law. As soon as HHS "certifies" that a plan is in order, the state can begin receiving welfare block grant funding. At this point, all states have filed a plan, and obtained HHS certification. States were required to include a 45-day period for public comment before they put their new plan into effect, although HHS interpreted this requirement very broadly. Even though the formal period for public comment is passed, advocates can press for involvement in the implementation process and ongoing chances to be heard.

The state plan required by HHS is very broad, does not lock states into decisions about their state programs, and may leave many important decisions about state plans unmade. States can easily change their plans at a future date. Moreover, the plans states file with HHS are extremely general. Many important decisions remain to be made. It is critical that advocates, legislators, and policy makers become involved in the decision-making process.

States must file a child care state plan with HHS by July 1, 1997. New child care funding provisions have already taken effect—even before states file their child care state plans—so that new child care funds are now available to states. Even after states file child care state plans, there is still an opportunity to help shape how new funds will be spent, since many states have made initial decisions about how to spend child care funds but have put off or agreed to reconsider others.

✓ Has your state chosen to keep waiver policies in place?

Before the new law, most states obtained federal waiver approval to establish policies that were different from those required under the old law. Federal waivers were granted for a specific amount of time. Under the new law, states can choose to continue or end waivers granted before the new law and to operate under these waivers for the period they received federal approval, even if the terms of the pre-existing waiver are inconsistent with the requirements of the new law.[1] HHS has suggested that states specify in their state plan whether they will keep waivers and what parts conflict with the new law. In some cases, these old waivers give states greater flexibility than the new law—for example, they may use a broader definition of work that includes a greater emphasis on education.

✓ Does your state have waiver authority that might give the state more latitude for policies that help families? If so, is your state keeping waiver policies in place?

Such a decision can help families and provide additional time for planning and implementing program changes.

FUNDING

The new law fundamentally changes the way federal dollars are provided for welfare and child care help. Under the old law, states received federal funds on an open-ended, entitlement basis. This meant that if caseloads increased, states could spend more money and be "entitled" to federal funds to match their expenditures. Families could get needed help in bad times. Under the new legislation, states receive a capped block grant that is set at $16.4 billion nationally, and that virtually never increases—even if there is a recession and caseloads soar. Making funding decisions that maximize help for families and protect against recession-driven shortfalls will require careful planning.

Funding Background

The state's block grant is the equivalent of federal payments to the state in prior years for AFDC benefits, AFDC administration, Emergency Assistance, and JOBS. States can choose the higher of several base years to determine the level of their block grant: the average of federal payments for FY 1992-1994; FY 1994 plus (under certain circumstances) 85 percent of increased FY 1995 spending for emergency assistance; or FY 1995. No more than 15 percent of the block grant can be used for administration.

Appendix A shows how much each state can expect to get in basic TANF federal funding. Additional, small sums are appropriated for several purposes, including supplemental grants to states that have high rates of population growth and that have low amounts of federal welfare spending per poor person; bonuses to "high-performing" states; bonuses to states that demonstrate a net decrease in out-of-wedlock births; and loans at market interest rates to states. The law also establishes a $2 billion contingency fund when caseloads go up during times of recession, though this money may be difficult to qualify for. States must meet MOE requirements—keep up certain levels of historical state spending—that are different for the basic block grant and the contingency fund.

The new law eliminates three federal child care programs (AFDC child care for families receiving welfare and participating in work or training, Transitional Child Care for families leaving welfare for work, and At-Risk Child Care for low-income families at risk of welfare dependency). Funding for these programs is folded into the new CCDBG, which includes funding as well for the old child care block grant.

The new CCDBG has two parts—the mandatory funds, or base funding amount, and additional funding beyond the base amount that states can obtain if they put up matching funds and meet MOE requirements. State allocations for the base amount are based on states' FY 1994 or FY 1995 funds or the average of FY 1992-1994 (whichever is higher) for AFDC child care, Transitional Child Care, and At-Risk Child Care. These funds—about $1.2 billion each year for six years—are automatically available to states each year. Additional matching funds (about $700 million in FY 1997) are available to states if they put up state matching funds at the FY 1995 Medicaid match rate and keep up 100 percent of previous nonfederal child care spending under the Title IV-A program.

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✓ If your state has extra block grant funds, are they being invested in ways that help children?

Because of the way the block grant is calculated, at least in the first year many states will get more in federal welfare help than they would have under the old law. This is because welfare caseloads have fallen in recent years in 47 states (nationally, according to figures released by HHS, welfare rolls have declined 20 percent since 1993). (See Appendix B for caseload.) States can invest these dollars in constructive ways. Maryland, for example, has announced that it will use a portion of its new funds to continue Food Stamp help to legal immigrant children (although the state will not continue helping their parents, and the extra block grant dollars do not come close to covering the Food Stamp losses generated in Maryland by the new federal law). Connecticut plans to invest its new dollars in job training and child care. Rhode Island is creating a child care guarantee for working poor families up to 185 percent of federal poverty levels.

While there is tremendous flexibility about how the federal block grant dollars can be used, there are restrictions. For example, federal TANF dollars cannot be used to pay for aid to a family after five years (unless they are in a group of no more than 20 percent of the caseload that can be granted extensions). And there are limitations about spending federal block grant dollars outside of TANF. States can only transfer up to 30 percent of federal dollars out of TANF, and can only transfer the funds into the CCDBG and the Title XX Social Services Block Grant, with the amount transferred to Title XX limited to no more than one-third of the amount transferred to child care. Thus, states *cannot* siphon off federal TANF dollars to build prisons or highways.

On the other hand, many states are using the extra federal dollars to replace some of the funds they would have spent for cash aid, work, or related programs. By spending only the minimum required in matching funds, states can divert the remainder to purposes unrelated to TANF, including tax cuts or prison construction. Some press accounts have not made it clear whether states that have announced intentions to divert dollars away from programs that serve poor families with children will use federal or state funds to do so. Advocates should understand the restrictions in the TANF law: **Federal funds *must* be spent on poor families with children.**

✓ If your state has a child care windfall, is it investing this funding wisely?

New federal child care dollars are basically made available in the same amounts for each fiscal year covered by the block grant. Seventy percent of the new money is targeted for families receiving welfare aid, those attempting through work to move off aid, and families at risk of needing aid. States are required to use a substantial portion of the remaining new child care dollars, as well as other federal child care dollars, to serve low-income working families other than those described above.

Because the new welfare work requirements start at no more than 25 percent in FY 1997, and go up to 50 percent in FY 2002, in the first years the new federal child care dollars may be more than the need to meet welfare work requirements (although they may be *less* than the need in later years). However, most state child care systems are currently starved for funding, regardless of the new welfare-to-work child care demands. Therefore, it is essential that any child care windfall in the first years be spent, rather than turned back to the federal government even if the money is not needed immediately to meet new welfare child care demands.

As discussed in greater detail in the section Child Care, child care dollars can and should be invested in making sure that parents can obtain good child care by increasing rates; by ensuring parents are not required to contribute more toward the cost of care than they can realistically afford (more than 10 percent of parental income is just plain too much); and by expanding coverage for working poor families who need child care to stay employed and off welfare. Child care funds can also be invested creatively to increase the supply and quality of child care, so that the child care system can respond to increased demands as welfare work requirements increase.

✓ Is your state meeting federal MOE requirements?

Now that welfare is provided to states in a block grant, states no longer have to provide a share of the cost for each new family qualifying for assistance in order to claim federal dollars. However, in order to get federal welfare block grant and new child care block grant dollars, as well as to qualify for anti-recession contingency funds, states must keep up a certain level of state investment in help for poor families ("maintenance of effort," or MOE).

The MOE requirements for these three funding sources differ slightly. States that do not meet these MOE requirements stand to lose millions of dollars in federal aid—by having their TANF grant reduced dollar for dollar, by losing access to contingency funds during a recession, and by losing the opportunity to claim their state share of $723 million in new child care dollars. Therefore, while it is difficult to understand and track the MOE requirements, it is worth exploring what your state is doing to meet requirements in this area.

Basic TANF MOE requirement. To get TANF federal grant dollars, states must maintain spending for "qualified state expenditures" at or above 75 or 80 percent of the state's historical expenditures level. Basically, this means that states must continue to spend at or above 75 or 80 percent of the state's FY 94 nonfederal expenditures for AFDC, AFDC administration, Emergency Assistance, JOBS, and Title IV-A child care, including AFDC child care, Transitional Child Care, and At-Risk Child Care. For a basic idea of how much your state must invest to meet the MOE requirement, see Appendix C.

The state can count as "qualified state expenditures"[2] funds that it spends in *any* state program (not just TANF) for cash aid, child care help, educational activities designed to increase self-sufficiency, job training, and work, related administrative costs (not to exceed 15 percent of total expenditures), and any other use of funds not prohibited by the block grant and reasonably calculated to accomplish its purposes. These funds must be spent on families eligible for assistance under the TANF program, *and* families who would be eligible for TANF except for its time limit. Congress also intended to count toward MOE expenditures for immigrants who would qualify for aid except for the new law's restrictions on aid to noncitizens. However, the status of being able to count expenditures on legal immigrants is unclear because of a drafting error in the new law. The Administration has clarified that states can most count aid to legal immigrants toward their basic TANF MOE requirement.[3]

States should ensure that they meet this basic MOE requirement. Failure to do so results in a dollar-for-dollar reduction of their TANF grant. They are subject to a 75 percent requirement if they meet their work participation targets, and an 80 percent requirement if they fail to meet those targets. Because of the difficulty of predicting in advance whether a state will meet its work participation targets, it is important that states invest in their programs at least at the 80 percent level—and, preferably, at 100 percent of historical spending levels.

Contingency fund MOE requirement. To help states when caseloads spike in times of recession, the new law sets aside $2 billion to distribute among states that meet qualifying conditions and that have maintained 100 percent of historical state expenditures during the fiscal year in which it applies for contingency fund help. Unlike the basic MOE requirement, states can only count state spending *within* the TANF program (not, for example, in a separate state-only funded program). If a state does not keep up 100 percent of historical state spending, it cannot claim contingency funding.

Since this contingency funding can be as high as 20 percent of the state's base TANF grant, failure to keep up the required MOE means that states lose a very valuable source of help during recessions. According to the National Governors' Association, only nine states will keep up spending at a level high enough to qualify for the contingency fund. If your state is not planning to keep up spending at a level high enough to qualify for this funding, it is critically important to ask what provision is made in state law for meeting the need when caseloads go up during recessions. Is there a "rainy day" fund, like the one Ohio has set aside for welfare? Are there other sources of state funding available in recessions, or when state government experiences a shortfall?

Child care MOE requirement. To satisfy the basic TANF MOE requirement, states must maintain 75 or 80 percent of their historical spending on TITLE IV-A child care. In order to get the basic child care block grant, there is no MOE requirement. However, in order to qualify for *new* child care funds, states must maintain 100 percent of their FY 94 or FY 95 levels of state child care spending (whichever is higher) used to match federal spending. Failure to meet this new MOE requirement can result in the loss of millions of dollars per state in new child care dollars. In Alabama, for example, state failure to maintain its historical level of investment in child care ($6.9 million) would make the state ineligible to receive $11 million in *new* federal child care dollars. In Texas, failure to maintain a $34.6 million state investment in child care would make the state ineligible to receive $57 million in *new* federal child care dollars (see Appendix D).

✓ Is your state investing MOE dollars in ways that make sense and that give the state flexibility to create programs that meet the need?

States can use state dollars spent to meet the welfare block grant MOE requirement to create state-only programs that serve eligible families but that do not need to meet all of the restrictions imposed by federal law on use of federal welfare block grant dollars. This state flexibility is extraordinarily important and should be considered as states try to shape welfare-to-work programs that make sense and that take into account the many different needs of welfare families.

A recent federal policy interpretation clarifies that states *can* use state MOE dollars to create state-only programs. These state-only programs do not have to include restrictions that must be included in federally funded programs, such as time limits and the work requirements that apply under the TANF block grant.[4] The new policy interpretation is explicit that state MOE funds could be used to fund transportation help that allows low-wage workers to keep their jobs, and state earned income tax credits. This flexibility is important, since it means that a state can give families transportation help funded with state MOE dollars and not count that transportation help toward the five-year time limit that would apply if it were paid for with federal block grant dollars.

This flexibility also allows states to consider establishing separate programs for families with multiple barriers to employment (physical or emotional problems, poor basic skills, and domestic violence, for example). A state-only program could recognize that these families might need more than five years of help in a lifetime, and might use a broader definition of work that would recognize pre-work activities (such as counseling, family-strengthening activities such as enrolling a child in Head Start and meeting with teachers, or education and training) to satisfy work requirements than might be used under TANF. These are important options that should be considered as states shape their programs and decide how to spend state matching funds.[5]

States that choose to set up programs outside TANF using their own MOE funds will be less likely to meet the maintenance requirements for the contingency fund. But the many states that have decided to spend less than 100 percent of historical effort have already lost access to the contingency fund. Child advocates may conclude that the advantage of meeting family needs through state-only programs far outweighs the value of the contingency fund.

✓ Is your state keeping money in the "pots" that make the most sense?

States can transfer up to 30 percent of welfare block grant funds into either the CCDBG alone or into a combination of the CCDBG and the Title XX Social Service Block Grant. No more than one-third of the total welfare block grant funds transferred can be moved to Title XX (funds transferred into Title XX may be used only for programs or services to children or their families whose income is less than 200 percent of federal poverty guidelines). It makes sense to think about which pot of money lets states serve families best.

If child care is paid for out of the child care block grant rather than through the welfare block grant, it does not trigger the five-year time limit for families. If any part of the welfare block grant continues to be used to meet child care expenses, it makes sense to transfer those dollars to the child care block grant—both because such a transfer may help families avoid the time limits when they are trying to work and because child care provided through the child care block grant must meet certain very basic health and safety protections.

States should not transfer funds needed for cash assistance out of TANF to the child care block grant. But some states have always used a portion of their welfare funds for child care by paying a larger cash grant to families who laid out money for child care expenses (the *child care disregard*). Transferring these funds to the child care block grant would fund child care differently but would not result in a net loss to families.

Deciding whether to transfer dollars from the welfare block grant into Title XX is a more difficult decision. If dollars are transferred from the TANF block grant into Title XX, they do not trigger the five-year time limit. They can, for example, be used to provide vouchers to children whose parents no longer qualify for welfare because they have exceeded the TANF five-year time limit. Transferring dollars to meet basic support needs of children may make sense. On the other hand, Title XX serves a broad spectrum of service needs.

Many worthy and desperately needy groups compete for shrinking funds. If TANF dollars are transferred into Title XX, they must be used to serve poor families and children. However, *other* Title XX dollars previously used to serve children may be freed up and spent elsewhere—a financial shell game that only hurts children. Moreover, certain services can be provided through TANF without triggering TANF restrictions such as the time limit.[6] For these services, at least, there is less reason to transfer TANF funds to Title XX than there is to transfer TANF funds to the CCDBG.

✓ What is your state doing to protect funding for families when caseloads go up during a recession?

While the current recovery has lasted six years, over the last half century recessions have occurred every five years (on average). History tells us a future recession is likely. If your state cannot qualify for the contingency fund (because it has not met the 100 percent MOE requirement), is it taking other steps to prepare for an economic downturn? Ohio's $100 million state "rainy day" fund is one example.

MAKING THE WORK REQUIREMENTS WORK FOR FAMILIES

The new law makes a strong statement about work: families are expected to go to work quickly, with little or no education or training, and to use welfare as a time-limited, temporary fallback. We can all agree about the importance of work.

But especially since six out of 10 parents on welfare have already worked within the last two years,[7] it is reasonable to ask whether the new work programs will help them to find more stable employment; will help others make a new entry into the labor force; and will lead to jobs that bring children out of poverty.

The new work requirements do not promote state planning toward meeting this goal. In some cases, the new requirements make it difficult—but not impossible—to shape work programs that help families move toward genuine self-sufficiency. The combination of eventual high work participation rates, limits on education and training, lifetime time limits, and no new money for work or training is not an instant recipe for success. However, with careful planning, it is possible for states to design a work program that may actually help families find and succeed at work and at the same time meet the new work requirements.

This section outlines what the new work requirements are, what family needs are, what a good work program should look like, and how states can begin to build a program that works within the funding constraints of the new block grant.

What The New Law Requires About Work

Individuals must participate in work activities within two years of receiving aid. Indeed, unless a state opts out of the requirement, within one year of enactment of the new law, individuals who have received aid for more than two months must participate in community service. The new law sets high new work requirements:

Fiscal year	**Minimum % of caseload participating**	**Minimum hours of work required per week**
1997	25	20
1998	30	20
1999	35	25
2000	40	30
2001	45	30
2002	50	30

These are percentages of **all** families receiving assistance (unlike the old law, which allows certain adults to be excluded based on exemptions such as disability or age of child), except that states **may** exclude parents with a child under 1. States **may** also count parents with children under 6 working 20 hours as engaged in work. There are separate, higher participation rates that apply to two-parent families.[8]

The scope of what counts as work to meet these new percentages is narrower than under prior law, with a sharply diminished emphasis on training and education.[9] Starting in 1999, individuals may satisfy participation requirements by at least 20 hours of work, with the remaining required hours met through work-related or high school equivalency education.[10] States *can* use federal TANF block grant funds to pay for work activities (such as education beyond 12 months) that do not count toward meeting the work participation rates.[11] Teen parents who have not completed high school (or its equivalent) must attend high school or its equivalent, or participate in an approved education or training alternative.

What we know about welfare and work

In order to make thoughtful decisions about how to shape a TANF work program, it makes sense first to understand what the welfare population looks like—what families' needs and capabilities are, how ready parents are for work, the skills they bring with them, the barriers they face, and the length of time they will need welfare.

Drawing a picture of these families is complicated because they are enormously varied. Generally, it's fair to say that the parents who succeed in leaving welfare—and avoid a quick return—tend to be those with more education, better basic skills, and a history of work. Supportive services such as health and child care and other reliable sources of income (such as regular child support) make it more likely that they will succeed. Parents with poor education and basic skills, with little or no work history, and with multiple barriers (such as disability, or a history of domestic violence) tend to have the most difficult leaving welfare and sustaining work.

Human nature and resilience sometimes confound the data. Sometimes the most challenged parents succeed while the most advantaged ones fail despite their own best efforts.

How long families stay on welfare. Despite the great myth of a lifetime spent on welfare, the fact is that most families use welfare for relatively short periods of time. About half of all welfare families leave within the first year; 70 percent leave within two years; and almost 90 percent leave within five years. About one-half to two-thirds of those who leave the rolls leave for paid employment. On average, women who ever use welfare receive a cumulative six years of help.[12]

Which families are likeliest to leave welfare for work? A parent's education level, recent work history, and mastery of basic skills are the best predictors of whether a parent is likely to move quickly from welfare to work. The vast majority of long-term welfare recipients have less than a high school education. They score poorly on standard tests of reading, work knowledge, and basic math. They tend to have first received welfare when young, to have no recent work experience, and to be minority. Not surprisingly, high school graduates are much more likely to leave welfare than dropouts.[13]

Staying off welfare. Leaving the rolls does not guarantee staying off the rolls: many families return to welfare quickly. About 45 percent return within a year, and 70 percent return within five years.

Parents whose earnings are higher than welfare benefit amounts are more likely to stay off. Other key factors in the ability to stay off welfare include whether the family has predictable income from other sources (such as child support)[14] whether the family has permanent housing, and whether the family's difficult economic balance is unsettled by the birth of another child.[15]

Education level makes a big difference: a high school graduate who leaves welfare has a 38 percent chance of returning within the first year, while a high school dropout has a 50 percent chance of returning within the first year.[16] Those parents who do return are not only likely to have fewer years of education, but are also more likely to have a disability, to have little or no previous work history, to be Black, never-married, and to have less earned income.[17]

Nonincome supports help, too. In a study of a Massachusetts ET program, researchers found that employer-provided health insurance and stable child care were linked to longer job retention.[18]

What barriers do families face? As states confront high work participation rates that sweep in not only parents who would find work under their own steam but also parents who otherwise would be long-term recipients, they will begin to work with parents who face significant barriers to work.

What are some of these obstacles? The experience of Utah, a state whose welfare demonstration project provides *no* exceptions to work requirements and emphasizes quick work placements, is illustrative. There, state workers have discovered that not every family can immediately participate in full-time or even part-time employment. Long-term recipients face multiple

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employment barriers that range from serious mental and physical health problems to learning disabilities to domestic violence to substance abuse.[19]

✓ Is your state shaping a work program that makes sense given family needs?

Meeting the new welfare requirements and at the same time designing a work program that meets extraordinarily diverse needs, are not easy tasks. Model programs demonstrate that real gains are possible. Yet most of them are relatively small. There are no time-tested, full-scale welfare-to-work programs. This presents tremendous challenges to advocates and administrators trying to shape a program that works.

With those caveats, there are key elements to programming that make sense. These include:

- Flexible programming so that families are not treated in "cookie cutter" fashion, with the same sequence of activities and identical work requirements applied to each family, regardless of their individual needs;
- Diversion aid that gives families short-term help if they want it so they can find and keep a job and avoid going on welfare;
- Work incentives that make work pay for families trying to go to work;
- Targeted use of resources so that families who can go off work on their own are encouraged to do so (through incentives, for example), but with minimal intervention, while more intensive resources are reserved for families facing multiple barriers to employment and those who have not succeeded in finding work without help.
- A mix of work, education, and training services that helps parents find work *and* enables them to improve their earning potential so they can find jobs at a family-supporting wage;
- Post-placement help so that parents succeed at their first job, or, if that does not work out, can find other work quickly;
- Programs targeted at hard-to-serve families that tailor work requirements and services to their particular needs and that do not impose time limits so long as families are making progress at prework or family-strengthening activities; and
- Child care, health care, transportation, and income supplements (see next section).

Diversion

Especially when lifetime welfare benefits are limited to five years (and perhaps even less, depending on the state), it makes sense to give parents a boost to help them find or stay on a job and avoid claiming welfare help. "Diversion" programs do just that—offer families a package of help that they can choose instead of welfare. Typically, if families accept such a package, in return they agree not to seek welfare for a designated amount of time. In their welfare "waiver" requests, some states set up such programs.

In establishing a diversion program, at a minimum states should offer parents the supportive services they need to stay afloat—subsidized child care help if necessary, and Medicaid coverage if the family is not currently covered by another plan. States should also offer a range of flexible benefits that respond to particular needs. For example, in many urban communities the job opportunities are in suburbs not easily reached by public transportation. If paying to fix up a parent's car or to purchase motor vehicle insurance means a parent can get to a job, it is a worthwhile investment in diversion. In a diversion program operated by Utah under a federal waiver, 280 families received diversion payments during the program's first two years. Of those families, only 9 percent had returned to welfare.

One-time, short-term assistance (such as car repair) does not count as "assistance" and can be paid for out of TANF block grant funds without triggering the time limit for families or making the family subject to TANF work requirements.[20] It is possible (though less clear) that more extended diversion could be paid for with TANF dollars with similar results. It *is* clear that states can fund diversion out of their state MOE dollars that they are required to invest in order to qualify for TANF dollars. Diversion aid paid for in a separate program with state-only MOE funds should help the family without triggering time limits for them or making them subject to TANF work requirements.

Incentives to work

One way to reward work is to continue to provide a welfare or TANF supplement to recipients who go to work at low-wage jobs. Before the new law, federal law provided time-limited work incentive disregards that disregarded a portion of recipient earnings in calculating the amount of their assistance. Even before the new federal law, state waiver requests indicated that many states were interested in providing more of an incentive to work.[21]

Program with Promise: Child Assistance Program

A program that supplements low earnings and provides a better incentive for work can significantly affect recipient choices about work. New York's Child Assistance Program (CAP), a welfare demonstration program, provides impressive five-year results about the effectiveness of such a program. Operating in a limited number of counties beginning in 1988, New York CAP is a voluntary alternative to the old AFDC program. Families who participate receive a CAP basic benefit that is about one-third less than the AFDC payment level. They must have a child support order for at least one child (if another child in the family does not have a support order, that child does not receive benefits). Parents with earnings of at least $350 a month do better under CAP because they get to keep more of their earnings than under AFDC.[22]

CAP pays off for families *and* government. A five-year evaluation shows that the program increases the number of parents who work, somewhat decreases their length of stay on welfare, increases their earnings, and saves government money.[23]

CAP families made significant increases in their earnings, averaging $679 in a month of CAP enrollment, compared to an average of $93 in the month they entered the sample group (prior to participating in CAP). CAP allows families to combine welfare and work, and it paid off for participants. Even more promising, families in the group that included CAP were less likely to return to welfare after leaving than the control group.

Taking some increased administrative expenses into account, CAP saved government $50 million over five years because of reduced use of AFDC, food stamps, and Medicaid, and increased child support collections.[24] CAP's record of cost-effectiveness exceeds almost every other welfare-to-work program evaluated, including mandatory ones.

States can use TANF funds, or their state MOE funds, to set up a similar choice for welfare recipients. Given the success of CAP, we strongly urge that they do so.

The CAP program could be funded in three ways:

- **As a TANF program, paid for with federal-state dollars.** In this scenario, participants who worked could be counted toward the TANF work participation rate. They would have to sign over to the states their right to collect child support. The state would generally keep child support collected on the families behalf to offer the cost of CAP assistance (collections would be split between state and federal governments). They would be subject to the five-year time limit.

- **As a state-funded component of a broader TANF program, paid for with state dollars kept segregated from federal dollars.** Participants who worked could be counted toward the work participant rate. They would have to sign over to the state their right to collect child support. They would not be subject to the five-year time limit.

- **As a state-only, non-TANF program**. CAP participation in a state-only. non-TANF program who worked would *not* count toward the TANF work rate. They *could not* be required to sign over their rights to child support. Any child support collected on their behalf could either be disregarded and paid to the family without reducing their grant or could be counted as income and used to reduce the amount of their grant. They would not be subject to the five-year time limit.

Families would benefit most from a state-only, non-TANF program that let them keep their child support as part of a package of income that helped them stay afloat and that rewarded their efforts to work by not applying the five-year time limit. Their work, however, could not be counted toward the TANF work requirements.

States would benefit most from a federal-state TANF program or a state-funded component of a TANF program, which would allow them to count CAP parents who worked toward the TANF participation rate (and the likelihood is that most CAP parents would work). Families would lose the chance to keep their child support, however, and might be subject to the five year time limit depending on which funding mechanism was chosen.

Middle ground would be to fund CAP as a state-funded component of a TANF program. This would allow states to count working parents toward their TANF work participation requirements and would free families from the five-year time limit. Parents would have to sign their child support rights over to the state. However, the state could choose to pass some (or all) child support collected along to the family so long as the state reimbursed the federal government for child support that would otherwise have gone to it.

Targeting resources and "sorting" families with different needs

Successful welfare-to-work programs need to be able to identify families with different capabilities and needs and to provide a range of employment-related help to them. Particularly with such a shortfall in dollars to invest in work, it makes sense to target resources to families when they need them and to supports that truly make a difference. Unfortunately, despite the data about which families are more likely to go off the welfare rolls and stay off, there is no one magical way of predicting which families will need more time and intensive help to move off the rolls, and which can move off quickly with incentives to encourage work but may benefit from post-placement "boosters." There are, however, several approaches to sorting out which families need more intensive help that seem to make sense.

The one approach that does *not* make sense is one that expects all parents to work immediately and that requires costly workfare placements immediately for all parents who do not find work quickly. Since many parents will find jobs on their own, programs that require immediate workfare—which is one of the most costly work placements to administer—are frittering away scarce resources.

Here are some approaches states have taken to sorting:

- **Sorting by job search alone**

One way of identifying families in need of more intensive services is to involve almost every adult in short-term job search and job club activities. Some adults find jobs quickly, while those who do not are identified as in need of further training or other forms of support. For example, in Atlanta, Ga., Grand Rapids, Mich., and Riverside, Calif., JOBS sites evaluated by Manpower Demonstration Research Corporation (MDRC), virtually all participants were required to look for employment through job clubs and job search. Those who could not find employment were identified as needing short-term education and training. In Oregon, most applicants engage in a month-long job search. If they have not found employment at the end, they participate in a more in-depth assessment to develop an employment plan that can include short-term education or training, more job search, or other support services.

- **Sorting by educational status and job search**

In the Riverside, Calif., GAIN program, participants without a high school diploma or its equivalent were "sorted" by being offered the choice of job search or basic education. Those with a high school education were placed in job search first and offered other supports such as education or training only if initial job search attempts did not succeed.

- **Self-sorting by time and work incentives**

Both Minnesota and Vermont conserve scarce resources and encourage work by establishing a period of time during which families are encouraged to work with favorable treatment of earnings but are not *required* to work. At the end of this period, parents who have still not found work are targeted for more intensive work requirements and training investments.

Programs with Promise: Minnesota and Vermont

Minnesota's Family Investment Program (MFIP) is a striking example of how a state can create a "staged" welfare-to-work program using a two-year sorting process that relies on better work incentives to move families to work. The state recognized the fact that *most* Minnesota welfare recipients collect cash aid for less than two years in a seven-year period, moving off welfare on their own. Further, the state found there was no easy way to identify which families would leave welfare in the first two years and which would be long-term recipients.

Therefore, MFIP provides that for the first two years a client will not be required to participate in intensive case management and will not be eligible for training services through the welfare program except for teen parents without a high school diploma. Instead, during the first two years the program provides better work incentives designed to encourage recipients to find work on their own.[25] Moreover, in recognition that low-wage earners often need help to stay employed, the program provides families with incomes below 275 percent of the federal poverty guideline with health insurance through MinnesotaCare. Child care is available if parents work.

After the two-year sorting phase, parents who are not working and who continue to receive cash aid must cooperate with heightened work requirements and more intensive case management. Parents who do not cooperate with an employability plan that emphasizes early work lose 10 percent of their grant.

Initial reports from Minnesota show that MFIP recipients have combined work and cash aid at more than double the rate of a control group that received AFDC (27.3 percent compared to 13 percent).

Similarly, Vermont has established a 30-month sorting phase for single-parent recipients and a 15-month one for two-parent families. During this time, parents are *encouraged* to work by favorable work disregards (the first $150 of earned income per month, plus 25 percent of remaining earnings), but are not *required* to work. Families that leave the rolls are eligible for up to 36 months of transitional Medicaid, as well as child care subsidies that are keyed to income and that are not time limited.

Single parents may volunteer during Vermont's 30-month sorting period to participate in Reach Up, the state's welfare education and training program but are not required to do so. If they participate in Reach Up, they can participate in an array of education and training activities, including post-secondary education. Once a parent reaches the 30-month time limit, he or she *must* participate in Reach Up. Mandatory participation begins with eight weeks of intensive job search as the parent nears the end of the 30-month time limit. If, after that, the parent has not found work, he or she is placed in a 10-month Community Service Employment job with a public or nonprofit employer. The parent is required to work for 40 hours per week or the family's grant divided by minimum wage—whichever is less.

Providing a mix of services

The new welfare law places a heavy emphasis on work and makes it difficult—but not impossible—to provide education and training to parents who need it in order to earn a family-supporting wage. Under the new law, recipients can only count 12 months of vocational education toward work requirements, and only 20 percent of the caseload can count vocational education activities toward work requirements. Note, however, that there is no bar to spending block grant funding for more than 12 months of vocational education or to involving more than 20 percent of the caseload in vocational education—except that these activities cannot be counted toward the work requirement. Starting in 1999, individuals may satisfy participation requirements by at least 20 hours of work, with the remaining required hours met through work-related or high school equivalency education.

These restrictions are unfortunate, since many parents will need education or training to boost low earning capacity. Many recipients have both poor basic skills and low levels of education. Nationally, about 50 percent of parents lack a high school diploma. One study found that 17-21-year-old welfare parents have reading skills on average below the sixth-grade level.[26] Another study of youth, 19-23, found that almost four out of five receiving public assistance had below average scores on a basic skills test. More than half of those receiving welfare scored in the lowest fifth.[27]

Investing in education makes a difference in welfare parents' ability to leave welfare and earn a family wage:

- A study of welfare women in New York City who finished college found that 87 percent were able to move off—and stay off—welfare by finding and keeping relatively high-paying jobs.[28]
- A replication of the study in five other states found that respondents who had completed a four-year degree were most likely to have left welfare for stable employment and to be earning a salary adequate to support a family.[29]
- As noted earlier, high school graduates who leave welfare for work are less likely to return quickly to the rolls than are high school dropouts.[30]

For many welfare recipients, the most effective form of education may be a placement that provides hands-on learning and training opportunities in addition to straight classroom bookwork. Education may take a number of different forms: preparing recipients to take an exam to obtain a GED; giving them on-the-job training; or allowing them to obtain vocational training at a community college.

Programs with Promise: Project Match and Center for Employment and Training

The experience of Project Match, a remarkable pilot program in the Cabrini-Green community in Chicago, is that learning opportunities must be flexible—both in their content and timing. Some parents needed and wanted training immediately. Often, however, Project Match workers found that parents preferred to try work first, even if they were not truly "job-ready." The program did not necessarily view an unsuccessful first job as failure. Rather, if a first job fell through, Project Match staff worked with a recipient to identify reasons the first job did not work out. At that point, the parent might well be motivated to pursue education or training and to succeed at it in a way that might not have been possible when he or she first entered the program.

The Project Match experience also underscores the importance of education or training that provides not just basic education but also real job-related skills. As researchers who have followed Project Match closely note, it is important to make adult basic education available as an option. At the same time, they note, many participants are in the program because they have already failed in a traditional educational setting, and will not thrive in a program that simply replicates the setting in which they failed.[31] For these participants, programs that combine education with on-the-job training may be more motivational and successful.

Such programs exist and have produced real success stories. The San Jose Center for Employment and Training (CET) program is one of them. CET provides 35 to 40 hours per week of intensive job-skill training. It provides training for jobs keyed to the local labor market and "markets" graduates to local employers. The program integrates remedial math and English training *with* training for a specific job, so that participants see the link between basic skills and the job they are preparing for. It provides on-site child care. Courses are "open-entry" and "open-exit," so trainees move through them at their own pace. The average participant finishes education and skill training in six and a half months. The program has produced strong gains in both employment and earnings compared to job-search programs and work experience programs.[32]

These programs can be replicated in ways that help recipients and help states meet work participation requirements. CET-type programs, for example, can provide short-term vocational training and education and satisfy work requirements. Community college courses can be combined with internship work placements or work-study jobs to couple 20 hours of work with education and satisfy work requirements. In California, the governor's budget includes $53.2 million for community college linkages. The governor's proposal would place coordinators on site at community colleges to work with welfare parents to help them find ways to combine work and education and to help the state meet its work requirements.

Post-placement help

Finding a job is just the first step toward a successful welfare exit. Many first jobs fall through quickly: one study found that 20 percent of welfare exits end in returns to welfare within six months.[33] Post-placement help is important to help parents keep that first job or get back quickly into the workforce if they lose it.

States are still grappling with what works in the area of post-placement services. Since spring 1994, HHS has funded four post-placement demonstration programs (in Riverside, Calif.; Chicago, Ill.; Portland, Ore.; and San Antonio, Texas). The programs will be evaluated by Mathematica Consulting, but there is not yet a formal evaluation.

Based on experience to date with the Oregon program, however, some researchers have identified key components of post-placement help:[34]

- Newly employed workers need **help completing paperwork and getting access to transitional benefits like child care.** This help must be available at times that make it accessible for workers (nights and weekends). Without help, many of the forms are confusing and many families do not get transitional benefits they need.

- The availability of **small amounts of flexible financial aid** helps smooth over problems when a parent first becomes employed and helps stabilize employment.

- **Re-employment services in a resource room** can make a huge difference in helping parents find a new job quickly. Such a resource room should provide access to job listings, staff who understand the job market, and the tools for a job search (computers, telephones, and fax machines). It should be available on nights and weekends (so that people can use it *before* they lose a job) and should be accessible to former welfare recipients without requiring them to lose valuable time by going through the entire welfare reapplication cycle.

These researchers note that some families benefit from counseling and ongoing contact with a caseworker, but that others do not need this level of contact.[35] Particularly in a time-limited welfare world, it makes sense to provide post-placement services that help parents get back into the workforce quickly—and avoid the need for a return to welfare—if a first job does not succeed. States should make services like resource room support available to former welfare clients.

They should give former recipients who lose work the option of going back on welfare, or of using the resource room to find new employment quickly (perhaps coupling this with emergency aid to tide the family over during work search). This would help former welfare clients succeed in their efforts to remain in the world of work. If the resource room and emergency aid services are paid for out of state MOE dollars, the families can also avoid welfare that counts against their five-year time limit.[36] Such a program makes sense—it helps families struggling to stay employed and recognizes that so long as they are doing so they should not have to tick off time against their lifetime welfare limit.

Job Creation

In spite of a booming national economy, there is a mismatch between jobs currently available and both the location and skill-level of parents on welfare. How can job opportunities be opened up for parents facing time-limited welfare benefits? Job creation is one important answer.

Job creation can be said to come in two varieties: public and private. Most policymakers want to encourage parents to move into private jobs. Even private jobs can have a component of public funding, usually through tax incentives, and sometimes through government contracts with the private company to produce items or services government needs. Government's purchase of goods or services from private business is far more effective as a means of job creation than tax incentives. Both defense and human service contracting have produced significant numbers of permanent jobs. Parents seeking to leave welfare could be hired through contracts to provide more child care, infrastructure repair, or to be neighborhood outreach workers at health clinics. Job creation through tax incentives is far less certain. A study of existing tax credits for hiring low income workers by the Inspector General at the U.S. Department of Labor found that most of the tax credits rewarded businesses that would have hired the workers anyway.

Government at all levels can create jobs directly, by hiring teachers or parent aides in the schools, parks or recreation workers, police or youth outreach workers, municipal maintenance employees, etc. The jobs can be permanent, and accompanied by benefits. Some are entry level; many are not. This sort of direct job creation, rooted in community need, can be an important strategy to employ low income people, both those leaving welfare and those who have successfully avoided it so far.

Programs with Promise: Job Creation in Vermont and Milwaukee

Few states have created public, permanent jobs likely to employ parents seeking to leave welfare. A small number of states or localities have designed programs in which parents can work in temporary community jobs either in public sites like schools, or in non-profit sites like health clinics. In Vermont, for example, single parents may participate in Community Service Employment (CSE) after 30 months of assistance. Parents are expected to engage in job search for two months first (one month of which may also include job readiness activities), and then may spend up to 10 months in a community service job. The state finds suitable placements in public or nonprofit agencies, where the goal for participants is to provide service to the community and to gain work experience. Individuals are paid for actual hours worked and receive an additional $90 per month stipend to cover employment-related expenses. Vermont pays Social Security taxes (FICA), workers compensation, and liability insurance. The worksite agency is responsible for training, supervision, and performance evaluation of workers. Jobs like these help parents meet TANF work requirements and build experience, and take advantage of existing resources rightfully available to workers like the EIC.

The New Hope Project in Milwaukee also provides community jobs as part of a program that offers individuals income supplements, and subsidized child care and health coverage, if they work at least 30 hours per week. When participants cannot find regular jobs, they can maintain their required hours by engaging in community service for a maximum of two six-month stints, paid at the minimum wage. If individuals work 40 hours per week, whether in community service or regular jobs, they are assured an income supplement if, after making use of both the federal and state EICs, their incomes still fall below the federal poverty line (now $13,330 for a family of three).

In both these examples, the community jobs have the benefits and responsibilities of real jobs. They are not meant to be permanent positions, and they are only likely to lead to permanent positions when the worker has or gains the skills typically required of permanent jobs.

Funding Job Creation

Where adequate numbers of jobs do not exist that parents receiving welfare can qualify for, job creation will require packaging funding from a variety of sources. Here are some examples:

- **TANF and other benefits:** States may use block grant funds either to create jobs outright or to subsidize wages for public or private sector jobs (for-profit or non-profit). They may also choose to cash out food stamps and add that sum to a wage subsidy. Federal TANF dollars are subject to the time limit, and so cannot be used to create jobs for parents whose families have exhausted their benefits. TANF funds can be used to create jobs to satisfy the law's work requirement.

- **State funds:** States may use their own funds to supplement wages without making those funds subject to a time limit. For example, Illinois has passed a plan to use state dollars (not federal TANF dollars) to supplement low wages in every month parents work at least 20 hours per week, so that the federal time limit clock does not tick during those months.

- **Americorps:** The National Service program provides a stipend approximately equivalent to the minimum wage (or more if necessary to cover the basic costs of living) for up to two years, for positions such as school aides, health outreach workers, etc., and requires sponsoring agencies to put up 15 percent of the member support costs (stipend, health benefits, etc.) and 33 percent of program costs (supplies, travel, equipment, etc.). Sponsors must provide participants with supervision and skills development. Participants receive $4,725 at the end of each year's service to be put towards their education. Individual nonprofit organizations that want Americorps members can apply to a state commission that approves placements, or an umbrella organization (for instance, the United Way) can apply for a number of positions it then assigns to different sites. Multi-state organizations with local affiliates may apply to the U.S. Center for National Service for positions. For this year, agencies are unlikely to receive more slots, but opportunities may open up in subsequent fiscal years.

- **Work Opportunity Tax Credits:** The existing Work Opportunity Tax Credit (formerly called the Targeted Jobs Tax Credit) allows employers who hire low income workers to claim a credit on a maximum of $6,000 in salary. The Administration proposes a related credit of 50 percent on a maximum of wages plus benefits of $10,000 (up to $5,000) for employers who hire long-term welfare recipients (defined as those who have received assistance for at least 18 months).[37] A similar, more limited credit may emerge from the FY 1998 congressional budget negotiations that are now taking place. Its usefulness is limited, if prior experience is any guide. First, it can only be used by for-profit businesses with tax liabilities. Nonprofits and start-up companies that have yet to make a profit subject to tax cannot take advantage of the credit. Second, those who work in job placement have sometimes found that promoting the credit in connection with efforts to place low income individuals can have the effect of stigmatizing them in the minds of employers. Still, it may be possible to use credits in concert with other placement strategies:

  - Job placement agencies that have established a reputation for offering businesses reliable workers may be able to promote them more easily by reminding employers that they can take advantage of the credits;

  - Communities can attempt collaborations among for-profit and nonprofit enterprises, to make maximum use of the tax credits. An example: a for-profit business could contract with a nonprofit agency to manage a child care center for its employees. The for-profit would hire child care workers, and take advantage of the credit, while the nonprofit agency would supply supervision, management, and some funding. The for-profit business would get the benefit of child care for its workers at reduced expense, and former welfare recipients would get jobs at above-poverty wages.

- **$3 billion in welfare to work funding:** There is bipartisan congressional support to approve the President's proposed $3 billion in funds for three years, beginning in October, 1997, targeted to job creation for parents leaving welfare. As proposed at this writing, there would be two forms of grants to states or localities: one with funds distributed according to a formula based on each state's share of the national poor population, unemployed workers, and adults in TANF, and another with funds allocated competitively, to localities or Private Industry Councils (PICS). For greatest impact these new welfare-to-work funds should be separate from TANF, so they do not count towards TANF time limits. They should be used in conjunction with other funding sources, private, local, state, and federal, to build jobs with real pay and benefits. They should *not* be spent on activities already covered by TANF, such as job placement. States already have every motivation to spend TANF dollars on job placement, but have a shortage of federal help that can be used to keep people in jobs past a time limit. Finally, the federal dollars should provide job retention supports that are not readily available elsewhere, such as access to transportation.

- **Microenterprise:** Not everybody is cut out to be an entrepreneur. For some people, though, the best route to earnings is by starting their own business. Possibilities include cleaning services, sale of prepared foods or catering, appliance or care repair, or other specialized services. About 35 states have microenterprise coalitions that can be helpful in directing parents to the technical assistance they need. More information is available through the Corporation for Enterprise Development's Microenterprise Policy Project.[38] Parents also need start-up capital. Some funds are available through the federal Community Development Block Grant program (CDBG) for microenterprise loans and other support. Ohio, California, Nebraska, and Indiana have used CDBG Small Cities Funds for microenterprise loans. Another means of accumulating capital is the Individual Development Account (IDA). IDA's are specifically allowed in the new welfare law for families receiving TANF to save for business start-up, postsecondary education, or purchase of a first home.[39] When combined with assistance in planning the new business venture, IDA's can work. AFDC parents who started businesses in the Self-Employment Investment Demonstration (a five-state project) accumulated on average $4,867 in net business assets through IDA's, and reduced their AFDC and food stamp income by almost two-thirds.

Serving families with special needs

For some parents, immediate participation in full-time work—or even part-time work— is simply unrealistic. Barriers such as physical or mental illness of a parent or child, homelessness, family disruption due to domestic violence, or very low basic skills, may mean that participation in family-building pre-work activities are needed first. These barriers are sobering. They will not disappear magically when parents are asked to work and must be taken into account as states plan how to shape a program of help in the new world of welfare reform.

A significant portion of the welfare caseload faces serious physical or emotional barriers to work. An Urban Institute study of three sets of national survey data found that between 27.4 and 29.5 percent of welfare families have either a mother or child with "some level of functional limitation." Of the adults with work-related limitations (16.6 to 20.1 percent), about half (8.4 to 10.6 percent of all adults) have a *serious* disability that prevents one or all work-related functions. Moreover, these findings probably understate the level of disability due to the likelihood of underreporting of mental disorders and substance abuse.[40]

Domestic violence creates additional hurdles. In-depth interviews with homeless and housed welfare mothers in Massachusetts etch the severity of these problems. A majority of both groups reported severe physical assaults by childhood caretakers before age 18. More than four out of every 10 had experienced sexual molestation in childhood. More than half had experienced severe physical violence by adult intimate partners. And this violence was indeed severe (being kicked, bitten, or hit with a fist; hit with an object; beaten up; choked, strangled, or smothered; threatened or assaulted with a knife or gun; having her life threatened; or being slapped six or more times).[41]

Some women were highly resilient and functioned well despite this legacy of violence. For others it was crippling. Both homeless and housed mothers studied had more than double the general female population's lifetime incidence of a major depressive disorder and about three times the general populations prevalence of post-traumatic stress disorder (over a third of the women studied suffered from PTSD during their lifetime, compared to 17.9 percent of women generally). They had very high *current* rates of depression and PTSD: about one in 10 suffered from a major depressive disorder. They had relatively high incidences of alcohol and drug abuse or dependence (although absolute percentages - 3.7 to 4.6 percent - were still relatively low).[42]

Their children suffered as well. Many reported that a child suffered serious physical or emotional problems (22 percent and 27 percent, respectively). Nearly one in three reported a child's hospitalization.

Many other parents must grapple with learning disabilities that have hindered their education and blighted their employment prospects. In Illinois, for example, a welfare-to-work program screened participants who read at or below a sixth-grade level and found nearly 80 percent had a high risk of moderate-to-severe learning disabilities. The report estimated that if the same incidence of learning disability applied to all Illinois public aid recipients reading at the same level, then up to 52,500 Illinois public aid recipients were likely to have moderate to severe learning disabilities.[43]

Programs with Promise: Working with Families with Special Needs

There are model programs that identify these families and offer an array of intensive services. These services make a real difference, both in the parents' work readiness and in family well-being. In some, parents are identified through a formal assessment process that use screening instruments designed to identify at-risk families, while in others families are referred for more intensive services after they have failed in more mainstream placements (such as job search).

In these programs, there are clear expectations about the nature of participation. For example, Utah's Single Parent Employment Demonstration Program (SPED) has parents develop a personalized plan that they are required to comply with. This may include mental health counseling, life skills training, or substance abuse counseling. They provide a range of services including home visits, mainstream employment or training activities, crisis counseling, support groups (for example, for substance abuse, depression, and domestic violence), mental health or substance abuse services, special services for adults with very low education levels or skills deficits. They may give credit for prework activities such as enrolling a child in Head Start or volunteering at school or a Head Start center—activities that strengthen families and that build work skills such as timeliness and reliability. They build on success: five hours a week of volunteering at Head Start may develop into 20 hours a week of volunteering and coordinating other volunteers, and ultimately translate into paid employment. Typically, the programs use more skilled workers, who often have reduced caseloads that free them to work more intensively with families.

Success for families in these programs may not be linear and may take time. However, there are some promising results. In Iowa, for example, the Family Development and Self-Sufficiency (FaDSS) program, part of the state's Promise JOBS welfare-to-work program, works with families facing severe employment barriers: one-third of participants were sexually abused as children and more than two-thirds reported current or past domestic abuse. Nearly a quarter reported current substance abuse. Yet a program evaluation found that compared to a control group, FaDSS participants reported making significantly greater gains in ability to meet family needs and in educational attainment than a control group. After five years, a larger percentage of FaDSS participants than control group members were off welfare.[44]

States can and should build on these model programs to serve families with special needs. Trying to force these families into work requirements designed for work-ready parents just doesn't make sense. It is possible to design state programs that meet federal requirements and serve these families. For example, states could use state-only funds to establish special programs for special needs families. They would then be free to establish different work requirements for these families and to count toward work family-strengthening activities that might not meet

TANF requirements either because of the type of activity or its duration (such as complying with substance abuse treatment or volunteering in schools on a schedule that increases as the parent gains capacity).

Delaware recently submitted a state plan demonstrating how such programming is possible. In Delaware, there is a time-limited welfare program with stiff work requirements. There is a separate, non-time limited program for families where a health professional has determined the parent has some form of disability.[45]

✓ Does your state have the funds it needs to invest in putting families to work?

States that take the new work requirements seriously are in a bind because the new law creates high new work participation rates without providing the funding needed to make work possible. The new law does not provide any new funds for work placements or job creation. According to CBO estimates, if all states met their job targets for 1997-2002, the new welfare block grant would be close to $13 billion short of what is necessary to meet work-related costs. Similarly, if states met the work requirements their new child care funding would still leave them $1.4 billion short of what is necessary to meet the new child care need—and this estimate does not take into account any additional child care help to meet the needs of additional families that leave the welfare rolls and need child care in order to work.

In the first two or three years of operation, the new work requirements will cost more than the new law provides. However, compared to state spending on the old JOBS program, the work-related shortfalls in the first two or three years of implementation are bad but not insurmountable (nationally, shortfalls are $370 million in FY 1997; $840 million in FY 1998; and $1.6 billion in FY 1999). States that involved large numbers of participants in their JOBS programs may meet the new work targets already and may not face shortfalls in the early years (depending on how many JOBS participants can count under the new law's definition of work). Moreover, as discussed in the Funding section, your state may have a temporary windfall in the first few years of the block grant, since its welfare caseload may have gone down since the base year used to calculate the amount of the block grant. However, the program is **severely** underfunded in later years, when participation rates and hours of required work spike up sharply (shortfalls are $2.6 billion in FY 2000; $3.4 billion in FY 2001; and $4.2 billion in FY 2002).

It is important to make sure that your state invests enough in work and training so that families get the education, training, child care, and work supports they need to succeed. This means ensuring that windfall dollars are re-invested in helping families work, and that states invest in the out years when the program will otherwise be dramatically underfunded.

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✓ Has your state taken advantage of all federal options to make work programs more manageable?

States have some important decisions to make that can help them keep the costs of putting families to work from spinning totally out of control. It is important that states take options that help them contain work and child care costs. Important choices include:

- **Taking the caseload reduction credit into account in planning for work.** Under the new law, a state's work participation rate is reduced by the percentage points by which a state's caseload has gone down since FY 1995. For example, in FY 1997, states must meet a work participation rate of 25 percent. However, in the majority of states, caseloads have fallen—often dramatically—since FY 1995.[46] For example, if a state's caseload falls by 10 percent, in FY 1997 its work participation rate will be reduced from 25 percent to 15 percent. Unless the state's caseload goes up, the state will be able to continue claiming this caseload reduction credit in later fiscal years. In planning what child care costs will be generated by work requirements, it is important to explore whether your state will be eligible for a caseload reduction credit.

- **Keeping workfare requirements manageable.** Under the new law, *unless states opt out of the requirement*, they are required to have *all* recipients involved in community service after they have received welfare help for two months. Particularly because in most cases studies have not shown that community service improves a family's long-term employment prospects, this 100 percent work participation requirement is an ill-conceived use of scarce child care dollars. It is important that states specifically opt out of this requirement.[47]

- **Exempting parents with children under age 1 from work requirements.** States have the option of exempting parents with very young children from TANF work requirements.[48] If they take this option, these adults are not counted as part of the caseload for purposes of determining the number of adults required to participate in order to meet the state's work participation target. Thus, not only are the parents exempted, but the total number of adults required to engage in work is also reduced. Nationally, about 10 percent of the welfare caseload has children under age 1. Thus, exempting these parents can have a significant effect in reducing the universe of parents required to participate. Since infant care is the most costly form of child care, taking this step makes sense as a way to conserve child care dollars. Of course, parents of very young children may *want* to work. If so, they should be able to make that choice and to get the child care help needed to support it.

- **Allowing parents of young children to work part-time.** The new law provides that parents must work 20 hours a week through FY 1998 in order to meet work requirements. This increases to 25 hours a week in FY 1999, and to 30 hours a week in FY 2000. States have the option of allowing mothers with children under 6 to work only 20 hours a week. States should choose this option. Allowing parents of young children to work part-time means it is possible for parents to satisfy work requirements while children are in part-day preschool programs. Parents may be able to avoid the need for child care or at least use often less expensive part-time rather than full-time care. This can conserve scarce child care funds, and give parents and children valuable time together.

- **Broadly define work activities after two years of welfare receipt.** The new law requires that individuals who have received welfare for two years must work. In contrast with its specificity about what work counts toward meeting participation rate requirements, the new law does not define what counts as work for purposes of this requirement—either in terms of type of activity or number of required hours of participation. Particularly because no federal financial penalty applies to this requirement, it is likely that states will have broad latitude to decide how to put it into place. If states have a very narrow definition of what counts as work, and high hourly requirements, the provision will be unmanageable and will exhaust all available child care resources.

However, states can define work broadly, to include family-strengthening activities such as volunteering as a Head Start helper or teacher's aide; participation in parent education classes or adult literacy programs; or participation in drug treatment or mental health programs. If states choose broad and flexible definitions, they can allow parents to participate in meaningful activities that help their families and that minimize the need for child care, since these activities can often be arranged while children are in school.

HELPING FAMILIES STABILIZE WORK AND ESCAPE POVERTY

Particularly given the low basic skills and education levels that impede the work efforts of many welfare recipients, the hard truth is that many of them will remain very poor even after they find employment. Their jobs may be part-time, part-year, and often will not bring with them essential benefits like health coverage. Providing families with income supplements and noncash supports like Medicaid can help them patch together enough income to sustain low-wage work. To keep a job and succeed off welfare, many families need help with health coverage, child care, and transportation. Making this help available is a key component of welfare reform.

✓ Is your state providing the health care that families need to make work a viable alternative to welfare?

Access to health care is particularly important because both adults and children on welfare are disproportionately likely to have poor health status compared to the general population. Without health insurance, children are less likely to obtain routine health care or care for injuries, or to have a regular source of care. They are less likely to be appropriately immunized.[49]

Despite the need for health coverage, children are losing ground: since 1989, an average of more than one million children a year have lost private health insurance from all sources, including employers.[50] Uninsured children generally live in low-income families: about 57 percent of uninsured children lived in families at or below 150 percent of the federal poverty level. These families generally include workers—in 1993, 61 percent of uninsured children had at least one parent who worked full-time, year-round. The problem is that employers of low-wage workers often do not offer insurance, or offer it at a cost beyond the means of low-income workers.[51]

To maximize families' access to health coverage, states should take full advantage of existing coverage and follow the lead of states that have created new programs that take advantage of state and Medicaid funding to help working poor families not otherwise covered. Specifically, states should maximize access to existing coverage and expand coverage to uninsured workers in the following ways:

- Continue using a single application for cash assistance and Medicaid, so families will not have to fill out a second application for Medicaid (and potentially "fall through the cracks" even though they should be found eligible for health coverage);
- Ensure that when states end cash aid for families, there is a review of their ongoing Medicaid eligibility. The state agency should continue with Medicaid unless it has determined that the family is not eligible under Medicaid's separate rules.

- Continue Medicaid coverage for legal immigrants already in the country. The new welfare law gives states the option of denying nonemergency Medicaid help to this group—an option states should *not* take.

- Strengthen outreach and public education efforts to inform low-income families that children and parents now eligible can keep Medicaid, even if they lose cash assistance, and those who become needy can apply for Medicaid and food stamps even if they are not eligible for cash aid under the new rules.

- Continue good transitional Medicaid provisions authorized through pre-TANF waivers. Federal law allows states to apply to HHS for permission to waive the requirements of certain federal welfare and Medicaid laws. As of May, 1995, 19 states had applied for waivers to provide more beneficial transitional Medicaid help to families that leave welfare for work.[52] The new welfare law provides that states may choose to continue a waiver that was in effect on the date of enactment (August 22, 1996), and not comply with inconsistent requirements of the new law until their waiver expires. States that have good transitional Medicaid provisions authorized through federal waivers should opt to continue these programs.

- State expansions of health coverage for the working poor can encourage work, help parents sustain employment, and potentially reduce welfare costs.

Programs with Promise: Minnesota and Massachusetts

MinnesotaCare provides coverage to 94,000 families with incomes up to 275 percent of the federal poverty line. It provides low-cost health insurance with affordable co-payments and premiums, with the rest of the costs funded by a statewide tax on health care services. With health insurance available for families who cannot get it through work, there has been a reduced need for welfare, which previously was for many low wage earners the only route to health coverage for their children. The state estimates that as of April 1996 there were 4,300 fewer families on AFDC because of MinnesotaCare, with federal and state government receiving net savings of $2.1 million a month.

Massachusetts passed a health reform bill in July 1996 that will dramatically expand coverage for children of the working poor. The new law expands Medicaid to give comprehensive coverage to children age 12 and younger living in families with income up to 200 percent of federal poverty guidelines. Uninsured children 18 and younger with family incomes up to 400 percent of the poverty level will receive primary and preventive health coverage through the state's Children's Medical Security Plan. Hospital care will be provided through the state's free care pool. The new law is funded by a 25-cent raise in the state cigarette tax and by federal Medicaid funds.

✓ Is your state providing necessary transportation help?

Lack of efficient, affordable transportation creates a huge employment barrier for welfare recipients. Research is beginning to show a huge mismatch between where welfare recipients are concentrated and where the jobs are. In Chicago, for example, nearly seven out of 10 of all metropolitan manufacturing jobs are outside of Chicago itself. Poor public transportation, lack of car ownership, and transit systems set up primarily to serve suburban commuters who work routine hours mean that many poor job-seekers are truly isolated from where the jobs are, and face fierce competition for jobs within reasonable commuting distance. For example, the West Pullman area of south Chicago, which has a high number of welfare recipients, is not easily accessible to major job centers. Taking into account reasonable commuting distance, there are more than 19 recipients for every accessible job opening.[53] Those low-income workers lucky enough to find entry-level jobs are nearly twice as likely to work odd hours—poorly served by public transportation systems—as those not in entry-level jobs.

The lack of transportation is equally acute in rural areas. In Kentucky, for example, Census Bureau data show that 11 percent of the population neither owns nor has access to a car. Within certain subregions, lack of access to a car skyrockets to 50 percent or more of the population. Some areas of the state unserved by public transportation do not even have a single taxi to meet the need.[54]

Without investments in transportation, families' prospects of getting and keeping employment are dim. Strategies that can help include:

- Paying public transit and gas allowances for commuting to child care and work. Wisconsin, for example, provides some funding for gas subsidies.

- Leasing or selling surplus state, county, or municipal cars at favorable rates to families leaving welfare for work and negotiating similar arrangements with private companies. Virginia, for example, allows welfare agencies to buy surplus state and county vehicles for clients to lease, purchase, or use to travel to work.[55]

- Having flexible funding to fix up a recipient's car, to pay insurance so that the recipient has transportation to employment, or to help finance a car. Both Virginia and Wisconsin provide some funding for car repair. Georgia's PEACH on Wheels allows welfare clients to obtain interest-free loans with no down payment to buy inexpensive cars. They pay $50 per month toward the price of the car, then 10 percent of gross pay when they find a job.

- Setting up van pools and paying trained parents to work as drivers, helping them to meet the work requirement and other parents to look for and go to work. In Josephine County, Ore., a van pool will be used to provide rural residents with transportation to jobs outside the county.

- Encouraging private sector businesses or organizations to run vans from low-income communities to places of employment; and

- Working with transit authorities to create needed bus routes that link communities with high concentrations of welfare families to communities where entry-level jobs are located.

Transportation Funding. The Clinton Administration has proposed $600 million over six years for a program called Access to Jobs and Training as part of a new transportation bill, the National Economic Crossroads Transportation Efficiency Act of 1997 (NEXTEA). The bill would fund grants to states, local governments, or nonprofits to finance transportation services for economically disadvantaged persons seeking employment. Those receiving the grant must provide or arrange for dollar-for-dollar, matching funds, although the match can come from other federal sources, including TANF. Use of NEXTEA grants could either help parents get to existing jobs or actually create jobs for TANF parents if the funds were used to create a van or other transit service in which drivers and dispatchers had to be hired.

CHILD CARE

Child care help is a key component of helping parents work and children thrive. Without child care assistance, many parents cannot find or keep work and are more likely to return to welfare.

- Evaluations of California's welfare-to-work program found that welfare mothers who were worried about the safety of their children and did not trust their providers were twice as likely to drop out of their employment program as mothers who were satisfied with their child care.[56]

- A 1991 study of Illinois welfare parents found that child care problems kept 42 percent from working full-time, 26 percent from working as much as desired, and 39 percent from going to school. Of those who found work, 20 percent of those who returned to welfare within the year of the report did so due to child care problems.[57]

- A 1987 study of Massachusetts mothers in welfare employment and training found that of those who had left welfare to work, one-third dropped out of the labor force within one year due to child care problems.[58]

The quality of child care makes an extraordinary difference to children. Children in higher quality preschool programs "display greater receptive language ability and pre-mathematics skills, have more advanced social skills than those in lower quality classrooms," and have better relationships with their teachers. Quality care has an even greater impact on the language skills and self-perception of at-risk children.[59] High-quality child care is especially important for welfare children and children of the working poor, since they are particularly at risk. In a study of Atlanta welfare families in which the mother participated in work activities, Child Trends found that on average, children, ages 3 to 5, correctly answered only slightly more than half of the questions in a test of school readiness. Their homes offered little cognitive stimulation or emotional support. Compared with non-AFDC children, Child Trends found that nearly one-third more AFDC children suffer from delays in growth or development, a significant emotional or behavioral problem, or a learning disability.

The child care provisions of the new welfare law offer both promise and pitfalls. Careful planning and investment in child care can help sustain work and ensure children arrive at school ready to learn. If states do not make the necessary investments, and deny child care help or steer families toward inadequate care, children could be placed in situations that range from mediocre to genuinely unsafe. Parents will find it even more difficult to find and keep work.

Child Care Provisions of the New Law

The new law eliminates the guarantee under current law that child care help *will* be provided to families on welfare that need child care to participate in work or training, and to former welfare families that previously received one year of transitional child care help if they left welfare due to earnings. It also eliminates the special category of "At-Risk" child care, which helped families that would be at risk of welfare receipt if they did not get child care help.

In place of these programs, the new law combines new child care funding with the existing Child Care and Development Block Grant (CCDBG). Generally, the provisions of current CCDBG law (including health and safety protections) apply to this new combined funding stream. The total funding for this new program is $22 billion over seven years. This combined new funding stream provides approximately $6.6 billion over six years more in "capped entitlement" funding than states spent in 1995. Capped entitlement funding means that funding is guaranteed to be available up to a set limit. Despite this new money, if all states meet their welfare work targets CBO projects that child care funding falls $1.4 billion short of the need for welfare families.

Of the $22 billion, $7 billion is provided as discretionary funding—slightly more than is now provided under the existing CCDBG. Discretionary funding must be appropriated by Congress, and there is no guarantee that it will be. The remaining $15 billion is provided as a capped entitlement. To receive the entitlement money, states must maintain spending at their 1994 or 1995 level (whichever is higher) and must provide state matching funds for $6.6 billion in "new" child care money at the 1995 Medicaid match rate. States must set aside a minimum of 4 percent of child care funding for improving quality, expanding the supply, and providing consumer education. This is approximately $38 million *less* than the $157 million states are now spending for these activities under the current CCDBG set-aside it replaces.

What are key child care choices states should make?

✓ Ensure that your state draws down all possible federal child care dollars

To benefit from new child care dollars, states must maintain 100 percent of their historic state effort and provide matching funds for the new child care money. See Appendix D to determine how must your state must continue spending and how much it must invest in new matching funds to obtain the new child care money. States must make these investments this fiscal year. If they do not obligate funds in this fiscal year, they will lose this year's allocation, which will be redistributed among other states.

✓ Make sure your state invests child care dollars wisely

The demand for child care funds will increase sharply as work participation rates increase over time. In the early years of TANF, some states may find that they are *already* meeting the work participation rates because they benefit from the caseload reduction credit or have emphasized broad work participation under their JOBS programs. In these states, it is important to ensure that the state invests any extra child care funds in the early years in creating the services needed to meet the new child care demand and to serve the working poor who otherwise do not benefit from any new child care funding. States can, for example, bring in working poor families off the waiting list for help or use child care dollars for supply-building needs generated by TANF (such as creating more child care options for teen parents; more odd-hour child care options; more infant and school-age options; and more child care providers in low-income communities. Iowa, for example, is planning to increase rates for licensed providers who offer weekend and odd-hour care).

✓ Select TANF options that reduce the demand for child care

State child care resources are already stretched far too thin. There is already a fierce and spiraling competition between welfare and nonwelfare parents for scarce resources. About three-quarters of states already have waiting lists for child care for the working poor. Demands for welfare child care are likely to increase and exacerbate this competition because of the new higher welfare work requirements. Even with the new child care money the Congressional Budget Office projects that states that meet the work participation rates will not have enough money to meet the needs of welfare clients—let alone increase help for former welfare families or for nonwelfare families trying to stay off welfare. States *can* choose TANF options that will help keep the demand for welfare child care more manageable (for example, excluding parents with children under age 1 from the work requirement). For a full list of these options, see pages 34 and 35.

✓ Put child care dollars where they make the most sense

Some states paid for child care for welfare recipients by requiring them to pay for child care up front (Title IV-A child care disregard). Under the disregard, the money welfare parents paid for child care was disregarded when their income was counted for purposes of determining the amount of their welfare grant. They were then reimbursed for their child care expenses through their welfare grant. This was always a poor way to pay for child care, since it required parents with very low earnings to pay directly for care and then wait to be reimbursed. States can and should transfer these funds to the CCDBG if they will be used to pay for child care. Transferring the dollars to the block grant means that the funds will not trigger the five-year time limit for a family that only gets child care help; that they are subject to the better protections for children that apply under the CCDBG; and that they are more likely to be used to pay for child care in a way that meets the family's needs.

✓ Consider a child care entitlement or guarantee for all low-income families

States must recognize the importance of ensuring that both families receiving welfare and working poor families receive help. Over the past few years, increasing state compliance with federal JOBS requirements has tilted the child care system sharply toward meeting the needs of welfare families rather than nonwelfare working poor families. Particularly in a time-limited welfare world, distinctions between welfare and nonwelfare blur. Families will move on and off welfare, and investments in helping them find work, leave and stay off welfare, and avoid the lifetime five-year limit become increasingly important. The new law eliminates the child care guarantee (or entitlement) for welfare families that need child care to participate in work activities. States should consider replacing this with a state entitlement for *all* families below a certain income level, whether or not they receive TANF. In some states, this could be partially financed from the savings states achieve by moving families from welfare to work. Particularly in the early years of TANF, when there is more child care money and work participation rates are relatively low, extra child care dollars can be invested in creating such a guarantee. States such as **Rhode Island** and **Vermont** offer child care help to *all* families below a certain income, regardless of whether they are working or receiving TANF. In **Illinois,** the General Assembly has just voted to appropriate $100 million in state dollars so that the state can provide child care help to all eligible families earning below 50 percent of state median income, regardless of whether they have been on welfare. If states cannot finance a broader entitlement, at a minimum they should guarantee help to TANF families, and to families moving off cash assistance.

✓ Make sure parents know they can get child care help and know what their choices are

Child care subsidies do not help children if parents are not told that help is available. Is child care counseling the function of an overwhelmed welfare worker who does not have the time or knowledge to discuss child care with a family? Are there protocols for what families are told, or are they required to explore free care before being told that help is available? Are they steered to informal care because it is cheap, or are they told they have a range of choices? Some states use child care resource and referral workers to explain child care to families and to help link them with licensed care. Ask to observe an orientation session for welfare recipients expected to go to work. What you hear—or don't hear—about child care help may come as a shock.

✓ Make sure your state does not penalize parents who cannot meet work requirements because they cannot find safe, affordable, and accessible child care

States are not *required* to pay for child care for TANF parents who need it to work or participate in training. However, **states may not penalize parents of children under 6 who do not meet work requirements because they cannot obtain needed child care.**[60] States have the *option* of extending this protection to parents of older children, too. To protect children from being left unattended, or in inappropriate child care settings because parents are asked to work but cannot afford child care, states should:

- Extend the protection against being penalized to parents of children through age 11;
- Require caseworkers to *clearly* inform parents that they do not have to work if they cannot find child care that is appropriate and affordable;

- Establish a protocol that requires an assessment of whether appropriate and affordable child care is available before a family has its grant reduced or cut off; and
- Provide guidance about what constitutes affordable, appropriate child care within a reasonable distance so that this protection is meaningful and does not have to be reinvented by each caseworker.

✓ Make sure that child care is affordable through the child care subsidy program

The way that states pay for child care may give families real choices about what kind of child care they can find for their children, or it may make it impossible for families to actually benefit from the subsidy. In some states, the combination of very high co-payment requirements and low rates of reimbursement mean that it *appears* that the state is offering child care help, but families get little or no benefit from the program (a *co-payment* is the amount a parent is expected to pay toward child care before the state will make a subsidy payment to cover any additional child care costs). For example, in Maryland the combination of high co-payments and low rates meant that many families were either dropping out of the program altogether or dropping out of licensed child care and using informal care. They simply could not afford to pay for licensed care, even though they were theoretically eligible for help from the state. The state has fixed part of the problem by raising the amount it pays providers for subsidized child care.

However, in some cases parents are still expected to make co-payments at prohibitively high rates. Maryland's new child care subsidy rates will assume that a mother at 130 percent of federal poverty guidelines must contribute nearly 30 percent of her income toward child care for two children before the state will pay any additional child care costs. While co-payment requirements and rate schedules seem technical and formidable, especially for advocates who do not specialize in child care, they are important issues that may be a covert way of undermining the effectiveness of child care help families desperately need.

✓ Ensure that states do not dilute the quality of care for poor children or limit families to informal care options

As states face the prospect of dramatically increased demand for child care due to rising work participation requirements, some administrators and legislators are considering dealing with the lack of enough child care money by making child care cheaper. They are considering steering families toward less expensive exempt care, asking families to bear more of the cost for more center-based care (that costs more than informal care), or weakening licensing requirements such as staff-to-child ratios that determine the number of staff who must be hired and therefore much of the cost of care. States should resist these choices. Low-income children are often at risk and should have the option of high-quality child care. They should not be shunted to the lowest quality care.

HELPING FAMILIES SUCCEED OFF WELFARE

Many welfare parents find such low-paying work that they cannot lift their families out of poverty through work alone. Is your state using federal welfare dollars or state MOE money to supplement earned income in these cases? Is it maximizing other potential sources of support for working families, such as child support or outreach to make sure they receive state and federal tax credits they qualify for?

✓ Is your state providing work incentives?

As discussed in the Making the Work Requirements Work for Families section, states can and should encourage welfare families to work by letting them keep more of their earned income without having it count against their welfare grant. The New York CAP program described in that section is one of the most successful examples.

✓ Is your state considering child support assurance?

Child support alone cannot cure poverty. Yet regular, reliable child support could make an extraordinary difference to single parents struggling to support families through low-wage work. For too many of these families, child support is *not* reliable. Nationally, of poor women raising children with an absent father, only 39 percent had a child support order that required the father to pay support. Of those with orders, only one in four actually received payment.[61]

For these families, guaranteed child support through child support assurance could be an important building block toward economic security. Child support assurance builds on the concept that single-parent heads of household are more likely to seek work and to stay in the workforce if they can supplement low earnings with reliable child support. It is based on the simple notion that the government should establish a minimum level of child support for all children in single-parent families. As under current law, government would use a strong enforcement system to seek appropriate child support payments from noncustodial parents. The amount of such payments would depend on the noncustodial parent's income and may or may not reach the minimum level of support set by the government.

Unlike current law, however, if the government failed to collect payments from the noncustodial parent for any reason, or if the noncustodial parent's support was less than the assured benefit, the government would provide the child with enough support to reach the assured minimum benefit. Government costs for this assured benefit would be kept down because the government would only pay if the noncustodial parent failed to do so, and in most cases would pursue the noncustodial parent for reimbursement.

Several states (e.g., **Iowa, Minnesota**, and **Massachusetts**) have explored the possibility and cost of setting up child support assurance. The director of **Missouri's** welfare program has

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indicated a strong interest in child support assurance, and the state senate this session passed a bill that would authorize such a program. **Virginia** actually received federal permission to set up a very small child support assurance demonstration that guaranteed a minimum amount of child support to families that left welfare for work. The state is expected to issue an assessment of the program, but early experience seems to suggest that families were less likely to return quickly to welfare when they could rely on a child support supplement to their earnings.

State MOE funds may be used to set up child support assurance programs for families that would otherwise be eligible for TANF and be supplemented by other funding for families whose incomes are too high to be considered eligible families. In addition, through July 1, 1997, states can apply for federal demonstration funds for child support assurance pilot programs.[62]

✓ Is your state passing on child support to families?

Even if states are not ready to establish child support assurance programs, they should consider passing along at least some child support collected to the child on whose behalf it was paid. This child support can be a critically important supplement. Under prior law, states were required to pass along the first $50 per month of current child support collected, without reducing a family's welfare grant. This provision was eliminated. In general, states must now split all child support collected on a welfare family's behalf with the federal government. States ***can*** choose to pass along the federal share to the family as well (so long as they reimburse the federal government).

A number of states have decided to continue the $50 disregard, or are actively considering doing so.[63] Illinois is seriously considering a $2 for $3 proposal that would give families an even better incentive to pursue child support—allowing them to keep two out of every three child support dollars collected, without having child support counted against the family's welfare grant.[64]

✓ Is your state helping parents claim the Earned Income Credit?

The EIC, which in 1997 can be as high as $2,210 for a parent with one child and $3,656 for one with two children, can be an important boost for low-wage workers trying to make ends meet. Yet a number of potentially eligible families fail to get the credit because they do not owe taxes and do not have to file a tax return that would trigger calculation of their credit. In a number of states, tax agencies, businesses, service providers, advocacy groups, and the media are working together to make sure families know how to claim these credits. A **Minnesota outreach campaign** is a good example of how such partnerships can make a difference.

Program with Promise: Minnesota Earned Income Credit

In Minnesota, low-income working families may qualify not only for tax refunds through the federal Earned Income Credit, but also for a piggyback state tax credit, the Working Family Credit, that provides an additional 15 percent of a worker's Earned Income Credit.[65] The Minnesota Alliance for Children organized a broad-based campaign planning committee that brought together grassroots community organizations, the IRS, and the Minnesota Department of Revenue to help make sure that eligible families claimed the credits. This partnership worked on expanding contacts in the business community, distributing promotional material provided by state and federal agencies (for example, including 20,000 flyers with food packages distributed throughout the state), promoting in-service training and computer software for estimating the credits to front-line service workers in a broad array of family-serving community organizations, providing contacts for stories in the media to increase public awareness about the credits, and expanding families' use of volunteer taxpayer help programs that counsel them about the availability of the credits.

The outreach made a difference. For tax year 1994, nearly 45,000 more people claimed both the federal and state credits than for tax year 1993. These increased claims meant that tax credits for low-income Minnesota workers went from $161 million in tax year 1993 to $234 million in 1994—$73 million more dollars to help working parents and individuals. This money helped change families' lives. Mortgage foreclosure prevention groups, for example, reviewed workers' taxes to see whether tax credits could help them come up with money to stave off foreclosure. One group alone reported that helping workers get credits they had earned helped avert 15 to 20 foreclosures.

States can also work with employers (private and public) to make monthly advance EIC credits more widely available. Employees have the choice of collecting the EIC once a year when they file their income tax return or receiving it as a monthly advance through their employer. Few employees take this second route, although it would provide them with a steady income supplement throughout the year. Many fail to do so because they do not know they have the option, while others are afraid that if their earnings change they may owe money if they have collected the EIC on an advance basis. Welfare caseworkers and employers could work with welfare recipients who go to work and leave welfare to help them understand when claiming the EIC on an advance basis may help them.

PROTECTING CHILDREN

Many welfare reform decisions can profoundly affect the well-being of children. In making decisions about sanctioning parents and about continuing help when five years are up, it is essential that policy makers take into account the need to protect children as well as to convey a prowork message to parents. Key decisions center around:

✓ What happens to children whose parents exceed time limits on welfare?

Federal law sets an absolute five-year time limit on federal welfare help for parents. Some states have set shorter time limits. See Appendix E for time limits. Will your state protect children and prevent family breakup by providing some form of continuing help to children? States can also use federal dollars to continue helping 20 percent of the caseload after the five-year time limit and should establish criteria for continuing aid that protect children (e.g., where ongoing help is necessary due to domestic violence or other abuse, due to the need to care for a disabled child or family member, or due to a relative's need to care for a child who cannot live safely with his or her parents).

✓ When and how will your state penalize families for failure to cooperate with work requirements?

Under the new law, states have great leeway to decide whether—and how—to penalize parents. States can cut benefits altogether or reduce the grant but continue to provide some help to the family. They can cut off benefits for a fixed period of time or until the parent "fixes" the problem by cooperating. They can cut off benefits immediately, or they can first probe for whether there is a reason for failure to comply. Because some states are reporting sanction rates at troublingly high levels, it is especially important to examine this issue. In Tennessee, for example, 3,300 cases were closed in the first three months of the new state welfare program's operation due to failure to comply with work requirements. Another 3,100 cases were closed "voluntarily," many due to missed appointments.[66] State sanction procedures can make a big difference in the fairness of the penalty and the well-being of children. Key issues include the following:

- **States should establish conciliation procedures and home visit policies before imposing sanctions.** Parents may fail to cooperate with work requirements due to serious family problems unknown to the caseworker. Careful conciliation procedures, coupled with a home visit *before* a sanction is imposed, can identify problems. Then the parent and caseworker can work on solutions instead of simply having the family cut off.

  Utah's SPED project shows how this can work. This program, which requires *all* welfare recipients to participate in program activities, has established a conciliation process that includes having a specialized worker visit the home before the parent is sanctioned. This visit not only ensures that the parent understands the consequences of failure to cooperate but also flags problems that prevent cooperation. It frequently turns up serious problems with mental health, domestic violence, or substance abuse that explain why the parent is not cooperating. The worker and parent can then work to resolve these issues instead of having benefits ended. This makes much more sense: the parent gets the help to remove barriers to work and to improve family well-being. Children do not lose aid when the parent's lack of cooperation is due to serious but resolvable family problems. Scarce state resources are conserved when families get help they need to stay together: if aid is cut off to these families, it heightens the likelihood that the family will break up and children will be placed in far more costly foster or other substitute care.

- **States should use partial penalties.** States can cut off aid completely or can use partial, pro rata reductions of the grant. Partial reductions preserve at least some help for the child. According to a review of 44 state plans submitted to HHS, 20 states are proposing to cut off a family's *entire* cash grant as a sanction for failure to participate in work.[67] We strongly urge that states use partial penalties. At a minimum, penalties should be graduated, so that the first penalty imposed is not a total loss of benefits.

- **Sanctions should be lifted when a parent "cures" the noncompliance.** The object of sanctions should be to encourage work, not to punish. If a parent fails to meet work requirements, then later complies, there is no reason to continue to punish the family. States should end sanctions when parents begin to meet requirements.

✓ When and how will your state sanction families for parental failure to cooperate with child support?

Under the old federal welfare law, parents on welfare were required to sign over to the state their right to collect child support. They were expected to cooperate with efforts to establish paternity and collect support, unless they had good cause (as defined by federal law) for not doing so. They could have their welfare grants reduced if the welfare agency found that they were not cooperating.

Under the new law, there is still a requirement that parents on welfare sign over their rights to collect child support and cooperate with efforts to establish paternity and collect support. Under the new law, *states* (not the federal government) must set standards for when there is good cause not to cooperate and must set penalties for failure to cooperate. The child support agency, rather than the welfare agency, must determine whether the parent is cooperating in good faith and may determine whether there is good cause not to cooperate (or the welfare agency must make this good cause determination). States thus have a number of new choices. As states make these choices, some issues are fundamental:

- **Parents should be carefully counseled about the importance of pursuing child support, how the system works, and the availability of the good cause exception to the cooperation requirement.** Unfortunately, some overburdened welfare caseworkers simply skip an explanation of the child support requirement. When the benefits of child support are explained, as they are in some model programs, parent cooperation improves dramatically. Moreover, it is essential to explain to parents that they may be excused from the cooperation requirement if there is good cause (defined in the old federal law as including cases of rape, incest, or a serious threat of emotional or physical harm).

  Focus groups of welfare mothers convened by the Women's Legal Defense Fund have shown that many are totally unaware of the good cause exception. Mothers who are domestic violence victims may withhold child support information if they do not know about the good cause exception and cannot be assured that they will be protected from a batterer if they bring child support proceedings against him.

- **Interviewers should be trained to discuss and recognize domestic violence situations and to make appropriate referrals.** In the past, there has been little interaction between child support workers and the domestic violence service network. It is important to strengthen these links and to draw on the experience of domestic violence workers to create better procedures and protections for victims.

  Key issues include: having intake workers who can recognize domestic violence problems and make appropriate referrals; having sufficient privacy at intake appointments so that it is possible to raise concerns about violence; having help available for parents who need to document that they have good cause not to proceed with child support; and having privacy protections so that victims of domestic violence *can* seek child support (if they choose to do so) without being endangered.

- **States should choose the penalty that least hurts children**. States have a choice under the new law: to cut off the whole grant for failure to cooperate with child support, or to reduce it by 25 percent. They should choose the lesser penalty. There is no evidence that a full-family sanction will achieve any result other than greater harm to a child.[68]

✓ Will your state maintain a system of emergency help for families with children?

The new federal welfare block grant folds in funds that many states formerly used for emergency assistance to families with children. Will your state maintain emergency help for these families, and, if so, will it provide that help without counting it toward the five-year time limit?

Emergency assistance that protects children includes homelessness prevention grants to avert eviction to keep utilities turned on, or to pay first month's rent and security deposit so that a homeless family can leave a shelter.

✓ Will your state provide important protections to victims of domestic violence?

The new law gives states the option of screening, identifying, counseling, and exempting victims of domestic violence from certain federal welfare requirements (such as the five-year time limit). Because there is such a high incidence of domestic violence in the welfare population, it is important to identify vulnerable families in a nonthreatening manner. States should carefully assess the barriers they face and services that would help.

✓ Is your state properly providing for minor parents and their children?

TANF generally provides that a state cannot use TANF funds to provide cash or any other assistance to an unmarried individual under 18 caring for a child unless the minor parent is living with a parent, legal guardian, or other adult relative. There are some exceptions.[69] If minor parents meet these exceptions, the state has some legal obligation to provide or help the minor parent find a second-chance home, maternity home, or other appropriate adult-supervised supportive living arrangement, or decide that the current living arrangement is appropriate.

However, reports from states that already have such policies in place provide troubling examples of teen parents who are living on their own, without aid or adult supervision, and who cannot live with family because the parents have made them leave, or they have been abused.

It is essential that these cases are carefully monitored and vulnerable teens are provided needed help and support. The child protection agency should be involved in decisions made by the welfare agency about the appropriateness of a home for a minor parent and her child. This could mean providing special training for the welfare staff, placing child protection staff (especially those with experience in working with teen parents) in welfare offices, or encouraging referrals to the child protection agency for assessment of whether the minor parent meets exceptions.

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Moreover, there is language in the new law's conference report that suggests that states may, under certain circumstances, use TANF funding to provide a second-chance home or other adult-supervised living arrangement.

STRENGTHENING FAMILIES

States can provide supports that help keep families together, or they can deny aid and increase the likelihood that troubled families continue a downward spiral. Here are some key questions about whether your state policies strengthen families.

✓ Will your state help two-parent families stay together?

Under the old law, states could aid two-parent families. However, the eligibility criteria were much more difficult to meet than the criteria that applied to single-parent families.[70] A number of states requested waivers from these requirements, since they were administratively cumbersome and made it difficult to help families. Will your state streamline two-parent eligibility, or will it keep complex requirements from the old law?

✓ Will your state provide family-strengthening services?

Under the old law, a number of states used funds from the Emergency Assistance program to pay for a range of family support and crisis services provided by child protection agencies. These services can succeed getting troubled families the help they need to become stronger and avert family breakup. With the elimination of Emergency Assistance, states have the option of providing TANF emergency assistance funds for family support and other child protection activities but are not required to do so. Will your state continue to provide funding for family support and other crisis services with Emergency Assistance funds that were folded into TANF? If TANF funds are not used, will the state find new funds for these services?

✓ Will your state help children stay with responsible relatives?

Sometimes children cannot—or should not—stay with parents. When children stay with responsible relatives, such a placement minimizes disruption to the child. It can be both less expensive and preferable to placing the child in foster care with strangers. Under old welfare rules, relatives could care for dependent children either through a family welfare grant or a child-only grant. Under TANF, states will be allowed (but no longer required) to provide benefits to nonparent caretaker relatives providing kinship care. If so, will relatives be subject to five-year time limits and work requirements that may deter them from taking in children? States can create kinship care programs by creating separate state programs, funded with state-only dollars, that count toward state MOE requirements. In a separate, state-only program, nonparent relatives caring for children will not be subject to the time limit or to work requirements.

✓ Will your state help make sure parents can continue to provide a home for a child who is temporarily absent?

During family crisis, children are sometimes briefly removed from the home. Early help can make it possible to return children quickly without a prolonged stay in foster care. Yet if all aid is cut off while the child is gone, the parent may lose her home or have to move to a cheaper apartment that does not have space for the child.

States have TANF choices that can make it easier or harder to maintain a home during such crises. They can choose to allow early start up of cash aid to a family when a child or children are being returned home from foster care (so that a parent can obtain suitable housing, for example). They can also choose to provide assistance for up to 180 days for children absent from the home in cases where there is a plan for reunification within a defined period of time.[71] States should choose these options to help families stay together.

ENDNOTES

[1] There is little guidance about when waivers are considered inconsistent with requirements of the new law. HHS has suggested in draft guidance that states indicate whether they intend to continue pre-existing waivers and identify the provisions of the PRWORA with which they are inconsistent. HHS, Draft State Guidance for TANF, September 1996. HHS' draft guidance indicates that if future legislative or regulatory action limits areas where states can continue pre-existing waivers that are inconsistent, states will have an opportunity to submit a new plan in order to come into compliance with the requirements. Thus, states that choose to continue operating under the terms of pre-existing waivers should not be penalized for failing to comply with inconsistent requirements of the new law, since they will have a chance to change their plans if HHS later takes the position that they are wrong. For more information, see M. Greenberg and S. Savner, *Waivers and the New Welfare Law: Initial Approaches in State Plans*, Center for Law and Social Policy, Washington, D.C., Nov. 29, 1996.

[2] A state can count as "qualified state expenditures" funds that it spends in any state program (not just TANF) for cash aid, child care help, educational activities designed to increase self-sufficiency, job training, and work, related administrative costs (not to exceed 15 percent of total expenditures), and any other use of funds not prohibited by the block grant and reasonably calculated to accomplish its purposes. A state cannot count educational expenditures for public education that are generally available to the public, including to persons who are not members of an eligible family. These funds must be spent on families eligible for assistance under the TANF program, *and* families who would be eligible for TANF except for its time limit. Congress also intended to count toward MOE expenditures for immigrants who would qualify for aid except for the new law's restrictions on aid to noncitizens. However, the status of being able to count expenditures on legal immigrants is unclear because of a drafting error in the new law. The Administration has submitted a proposal for a technical correction to clarify that states can count aid to legal immigrants toward their basic TANF MOE requirement.

[3] HHS, Policy Announcement No. TANF-ACF-PA-97-1, January 31, 1997. Technical corrections passed by the House (HR 1048) and pending in the Senate also address this issue.

[4] State MOE dollars used to satisfy the 100 percent MOE requirement for anti-recession contingency funds, unlike state MOE dollars used to satisfy the spending requirements for the basic welfare block grant, *are* subject to the same restrictions that apply to the federal block grant dollars.

[5] This is a complex area, and HHS will issue further guidance in regulations. Until that guidance comes, however, HHS has announced that states will only be penalized for violations of the statute, not because a state program falls afoul of any later regulatory interpretation. HHS Policy Announcement No. TANF-ACF-PA-97-1, January 31, 1997. It is clear, though, that HHS will take steps to discourage states from undermining the TANF work requirements by establishing separate state programs. For example, the HHS guidance announces that "we intend to work with Congress and the Governors in a bipartisan fashion to ensure that each State's overall work effort meets the statute's work participation requirements. Specifically, we will seek language making clear that calculation of whether a State has met the applicable participation rate shall take into account the State's success in placing participants in both TANF and MOE programs in work activities." For further information, contact CDF or see S. Savner and M. Greenberg, *The New Framework: Alternative State Funding Choices under TANF*, 1997, Center for Law and Social Policy, Washington, D.C.

[6] One-time, short-term assistance (such as car repair to keep a job or appliance repair to keep a home) does not count as "assistance" under TANF and therefore does not trigger TANF restrictions such as the time limit. Similarly, services that have "no direct monetary value to an individual family and that do not involve implicit or

explicit income support" (such as counseling) do not count as "assistance." HHS Policy Announcement No. TANF-ACF-PA-97-1, p. 14.

[7] Committee on Ways and Means, Overview of Entitlement Programs, 1994 Green Book, p. 444 (citing research by D. Ellwood).

[8] These two-parent work rates are extremely high (50 percent in FY 1996, 75 percent in FY 1997 and 1998, and 90 percent in FY 1999 and thereafter). In its state plan, Hawaii indicates it will create a separate, state-only funded two-parent aid program that sets the same work participation targets as those that apply to TANF single-parent families.

[9] Recipients can only count 12 months of vocational education toward work requirements, and only 20 percent of the caseload can count vocational education activities toward work requirements. States may count the following activities toward meeting work participation rates: unsubsidized employment; subsidized private or public sector employment; work experience (if sufficient private sector employment is not available); on-the-job training; job search and job readiness (generally, no more than six weeks); community service; vocational education (no more than 12 months); job skills training directly related to employment; education directly related to employment for a recipient without a school diploma); high school or GED for a recipient without a diploma; and a provision of child care services to an individual participating in community service. States have more discretion about what work activities count for purposes of meeting the requirement that all participants who have received welfare for two years must work.

[10] States can count job search toward work requirements, but generally only six weeks of job search can be counted as work participation.

[11] Teen parents who have not completed high school (or its equivalent) must attend high school or its equivalent, or participate in an approved education or training alternative.

[12] Testimony of L. Pavetti, Hearings before the House of Representatives Committee on Ways and Means, Subcommittee on Human Resources, May 23, 1996.

[13] Pavetti testimony, *op cit.*

[14] A study of divorced Wisconsin women, for example, found that women who did not receive child support were three times as likely to return to welfare as those who did receive child support. D. Meyer and M. Cancian, Child Support and Economic Well-Being Following an Exit from AFDC, Child Support Report, May 1997, p. 3.

[15] P. D. Brandon, Vulnerability to Future Dependence among Former AFDC Mothers, Institute for Research on Poverty DP #1055-95-1995.

[16] L. Pavetti, The Dynamics of Welfare and Work. John F. Kennedy School of Government Working Paper Series H-93-3, 1993, pp. 15-17.

[17] Brandon, p. 16.

[18] D. S. Nightingale et al., Evaluation of the Massachusetts Employment and Training (ET) Program. Washington, D.C.: Urban Institute, 1990.

[19] Pavetti testimony, *op cit.*

[20] See HHS Policy Announcement No. TANF-ACF- PA-97-1, p. 14.

[21] According to the Center for Law and Social Policy, from 1992-1995 28 states requested waivers to depart from federal law governing welfare treatment of earned income. A number of these waiver requests significantly improved the reward recipients got for working. For example, Illinois requested permission to disregard two-thirds of all earnings.

[22] Under CAP, benefits are reduced by 10 cents per dollar until the family's income reaches the poverty line and then reduced by 67 cents per dollar up to one and one-half times the poverty level ($19,470 for a family of three in 1996).

[23] W. Hamilton et al., *The New York State Child Assistance Program.* Cambridge, MA: Abt Associates, 1996.

[24] The federal government received almost two-thirds of the savings, with 14 percent going to the state and 22 percent to local governments. While CAP cost $237 more per household to administer, the savings amounted to $2,603—$10 in savings for every $1 invested.

[25] Nonworking families receive a benefit equal to what they would receive in AFDC and Food Stamps, while working families receive a benefit that is 120 percent of the base, plus a 38 percent earned income disregard.

[26] A. Sum and B. Goedicke, Basic Academic Skill Deficiencies of Young Women Potentially Eligible for Participation in New Chance, Center for Labor Market Studies, Northeastern University, 1986.

[27] G. Berlin and A. Sum, Toward a More Perfect Union: Basic Skills, Poor Families, and Our Economic Future, New York: Ford Foundation, 1988.

[28] M. Gittell et al., From Welfare to Independence: The College Option Report to the Ford Foundation. New York: Howard Samuels Center, 1993.

[29] M. Gittell et al., *op cit.*

[30] P. D. Brandon, Vulnerability to Future Dependence among Former AFDC Mothers. Institute for Research on Poverty DP #1055-95-1995.

[31] T. Herr, S. Wagner, and R. Halpern, *Making the Shoe Fit.* Chicago: Erikson Institute, December 1996.

[32] G. Hollister, Jr., New Evidence about Effective Training Strategies, 1990.

[33] Blank and Ruggles, 1994.

[34] T. Herr, R. Halpern, and S. Wagner, *Something Old, Something New.* Chicago: Erikson Institute, November 1995.

[35] Other programs take a much more hands-on approach to job retention. The America Works program singled out by the White House for attention works with recipients to place them with private employers and then continues to provide a counselor who works with each employee to help solve any problem that threatens job retention. The Cleveland Works program, for example, provides pre-placement training in job readiness, basic skills, and job training, then places a participant with an employer, then provides post-graduate services that include on-going job counseling, life management, and support services. Working with participants who are predominantly on welfare and who test at or below the eighth grade reading level, it places slightly less than half of participants in

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employment, and of those has a one-year retention rate of over 75 percent. Cleveland Works estimates that in 1992-1993, $6,300 was spent on each successful placement, with estimated welfare savings of $4,200.

[36] Employment services such as the resource room could also be paid for with TANF dollars without triggering the federal time clock. HHS Policy Announcement NO. TANF-AFC-PA-97-1, p. 14.

[37] The Clinton Administration also proposes to expand the Work Opportunity Tax Credit specifically to cover childless 18-50-year-olds who are unemployed and who under the new welfare law will lose their food stamps after three months if they cannot find jobs.

[38] Corporation for Enterprise Development, 777 North Capitol Street, NE, Suite 410, Washington, D.C. 20002. Telephone (202) 408-9788 and fax (202) 408-9793.

[39] Earnings or savings may be accumulated in the account without it resulting in a reduction in welfare benefits. The individual's contributions may be matched by contributions by or through a nonprofit organization, perhaps with help from state or local government. Contributions can come from a variety of sources: Missouri has passed through to the IDA all the child support payments collected for the participating family. Iowa uses a refundable tax credit worth 15-25 percent of the family's IDA savings. States could authorize placing EIC funds in the IDA so that the funds would not affect the family's eligibility for TANF. Private foundations or state funds could match the family's savings.

[40] G. Loprest and P. Acs, Profile of Disability Among Families on AFDC. Washington, DC: Urban Institute, 1995.

[41] E.L. Bassuk, A. Browne, and J.C. Buckner, Single Mothers and Welfare, *Scientific American*, October 1996, p. 62.

[42] E.L. Bassuk et al., p. 63.

[43] J. Wittner, Learning Difficulties and AFDC Receipt: A Report from the Chicago Commons Employment Training Center, Illinois Welfare News, May 1997, p. 13.

[44] L. Pavetti, K.L. Olson, N. Pindus, and M. Perna, Designing Family Centered Welfare-to-Work Programs: Lessons from the Field, Draft paper. Urban Institute, Washington, D.C., April 19, 1996 , pp. 1-21.

[45] The Delaware program keeps in place an approach for which the state received a federal waiver under the old welfare law. It does not necessarily provide the level of intensive service to special needs families described in this section. However, it does demonstrate how states can establish separate programming for this population.

[46] This drop seems to reflect the fact that more people leave the welfare rolls during an economic upturn, when jobs are more plentiful. It may also reflect families' perception that welfare requirements are "tougher"—a perception that may deter legitimately eligible families from applying.

[47] As of June 20, 1997, 17 out of 48 states reporting have opted out of the community service requirement: Connecticut, Washington, D.C., Hawaii, Illinois, Iowa, Kentucky, Maryland, Missouri, North Dakota, Oklahoma, Oregon, Rhode Island, Tennessee, Texas, Virginia, Washington, West Virginia, and Massachusetts specifically indicate they will implement the requirement for recipients with school age children who are not in a work program, and Michigan indicates it does not expect to opt out. Twenty-seven states either do not address the issue or postpone it: Alabama, Arizona, California, Delaware, Florida, Georgia, Indiana, Kansas, Louisiana, Maine, Mississippi, Montana, Nevada, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, South Carolina, South Dakota, Utah, Vermont, Wisconsin, and Wyoming.

[48] As of June 20, 1997, 17 out of 48 states reporting allow recipients with a child under age 1 year to be exempt from work requirements: Arizona, Washington, D.C., Georgia, Illinois, Maryland, Massachusetts, Missouri, Nevada, New Jersey, New Mexico, North Carolina, Pennsylvania, Rhode Island, South Carolina, Virginia, Washington, and Wyoming.

[49] GAO/HEHS-96-35, New Strategies to Insure Children, 1996.

[50] *CDF Reports*, October 1996, p. 2.

[51] GAO Report, *op cit*.

[52] These states are Arizona, California, Colorado, Connecticut, Delaware, Florida, Illinois, Kansas, Maine, Montana, Nebraska, New Jersey, New York, Pennsylvania, South Carolina, Utah, Vermont, Virginia and Wisconsin. S. Savner and M. Greenberg, *The CLASP Guide to Welfare Waivers: 1992-1995*, Washington: Center for Law & Social Policy, May 23, 1995, pp. 49-51. As of January 1996, CLASP indicates that three other states submitted transitional Medicaid waiver proposals (Georgia, Maryland, and Texas).

[53] Henle and Kinsella, Welfare Reform and Transportation to Work, 1996.

[54] Presentation of L. Garkovich, University of Kentucky-Lexington, Louisville, Kentucky, Nov. 22, 1996.

[55] GAO, Welfare Waivers Implementation, July 1996.

[56] Gilbert et al., *GAIN: Family Life and Child Care Study*. Berkeley: University of California, 1992.

[57] E. Siegel and L.A. Loman, *Child Care and AFDC Recipients in Illinois*. Illinois: Illinois Department of Public Aid, 1991.

[58] P. Roberts, Child Care and Low-Income Families, Draft Paper prepared for Legal Services Conference, May 1987, Center for Law and Social Policy.

[59] S. Helburn et al., *Cost, Quality, and Child Outcomes Study*. Denver: University of Colorado, 1995, p. 4.

[60] The new law provides that states cannot penalize parents with a child under 6 who does not meet work requirements due to unavailability of appropriate child care within a reasonable distance from the individual's home or work site; unavailability or unsuitability of informal child care by a relative or other provider; or unavailability of appropriate and affordable formal child care arrangements.

[61] U.S. Bureau of the Census, 1995 (1991 data).

[62] HHS Communication to state IV-D Directors, DCL-97-24, April 30, 1997.

[63] According to the Center for Law and Social Policy, approximately 14 states are continuing the disregards or are in the process of deciding whether to do so.

[64] Such a provision unanimously passed the Ilinois House (subject to federal approval) on April 23, 1997. Illinois Welfare News, May 1997, p. 5.

[65] Four states—Minnesota, New York, Vermont, and Wisconsin—have refundable state EICs that supplement the federal credit. Maryland, Iowa, and Rhode Island also have state EICs, but these are not refundable and therefore unlikely to help the very low wage workers who are moving from welfare to work.

[66] *Knoxville News-Sentinel*, January 21, 1997.

[67] As of June 20, 1997, 25 out of 48 states propose to cut off the *entire* cash grant as a penalty for failure to participate in work: Alabama, Arkansas, Connecticut, Delaware, Florida, Georgia, Illinois, Iowa, Louisiana, Maryand, Massachusetts, Michigan, Mississippi, New Mexico, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, South Carolina, Virginia, West Virginia, and Wisconsin.

[68] As of June 20, 1997, 23 out of 48 states propose to eliminate the family's *whole* cash grant for initial or subsequent failure to cooperate with child support enforcement: Alabama, Arkansas, California, Delaware, Washington, D.C., Georgia, Hawaii, Illinois, Iowa, Louisiana, Maryland, Michigan, Mississippi, Montana, New Jersey, New Mexico, North Carolina, Pennsylvania, Rhode Island, South Carolina, Utah, and Virginia. In addition, in West Virginia all benefits may be terminated for failure to comply with the terms of a "personal responsibility contract."

[69] These include: the minor parent has no parent, legal guardian, or other appropriate relative whose whereabouts are known; no living parent, legal guardian, or other appropriate relative allows the minor parent to live with them; the minor parent or child is or has been subject to serious physical or emotional harm, sexual abuse, or exploitation, or there is a threat of such harm; or the state determines it is in the best interest of the minor parent to waive the requirement.

[70] They included requirements that the principal earner has been unemployed or underemployed for 30 days, prove that he or she met earning history requirements, and work fewer than 100 hours per month.

[71] Under TANF, states generally cannot provide aid to a minor child who has been or is expected to be absent from the home for a period of 45 consecutive days.

APPENDICES

APPENDIX A

TANF Funding

ESTIMATED FY 1997 STATE FAMILY ASSISTANCE GRANTS UNDER P.L. 104-193

Released December '96

Administration for Children and Families, DHHS

State	State FamilyAssistance Grant [1]
Alabama	$93,315,207
Alaska	63,609,072
Arizona	222,419,988
Arkansas	56,732,858
California	3,733,817,784
Colorado	136,056,690
Connecticut	266,788,107
Delaware	32,290,981
District of Columbia	92,609,815
Florida	562,340,120
Georgia	330,741,739
Hawaii	98,904,788
Idaho	31,938,052
Illinois	585,056,960
Indiana	206,799,109
Iowa	131,524,959
Kansas	101,931,061
Kentucky	181,287,669
Louisiana	163,971,985
Maine	78,120,889
Maryland	229,098,032
Massachusetts	459,371,116
Michigan	775,352,858
Minnesota	267,984,886
Mississippi	86,767,578
Missouri	217,051,740
Montana	45,534,006
Nebraska	58,028,579
Nevada	43,976,750
New Hampshire	38,521,261
New Jersey	404,034,823
New Mexico	126,103,156
New York	2,442,930,602
North Carolina	302,239,599
North Dakota	26,399,809
Ohio	727,968,260
Oklahoma	148,013,558

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Oregon	167,924,513
Pennsylvania	719,499,305
Rhode Island	95,021,587
South Carolina	99,967,824
South Dakota	21,893,519
Tennessee	191,523,797
Texas	486,256,752
Utah	76,829,219
Vermont	47,353,181
Virginia	158,285,172
Washington	404,331,754
West Virginia	110,176,310
Wisconsin	318,188,410
Wyoming	21,781,446
State Total	**$16,488,667,235**

ESTIMATED FY 1997 STATE FAMILY ASSISTANCE GRANTS UNDER P.L. 104-193

Territory	State Family Assistance Grant[1]
American Samoa	0
Guam	3,465,478
Puerto Rico	71,562,501
Virgin Islands	2,846,564
Total for Territories [2]	**77,874,543**

Footnotes

1/ *Grants are based on the Federal share of expenditures for FY94, FY95 or the average of FY92-94, whichever is greatest. Grants incorporate an adjustment for States that had an Emergency Assistance plan amendment approved during FY94 or FY95. State amounts may be reduced for Tribal Family Assistance Grants.*

2/ *Amounts shown for Territories represent the revised ceiling amounts under Section 1108 of the Social Security Act. SFAG and matching fund allocations will be estimated separately.*

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APPENDIX B

Change in Welfare Caseloads

Administration for Children and Families
U.S. Department of Health and Human Services

CHANGE IN WELFARE CASELOADS

revised: April 1997

Total AFDC/TANF families and recipients

	Jan.93	Jan.94	Jan.95	Jan.96	Jan. 97	percent(93-97)
(millions)						
Families	4.963	5.053	4.936	4.628	4.104	-17%
859,000 fewer families						
Recipients	14.115	14.276	13.918	12.877	11.360	-20%
2,755,000 fewer recipients						

Total AFDC/TANF recipients by State

~State~	~Jan.93~	~Jan.94~	~Jan.95~	~Jan.96~	~Jan.97~	~percent~ (93-97)
Alabama	141,746	135,096	121,837	108,269	91,569	-35%
Alaska	34,951	37,505	37,264	35,432	36,189	+4%
Arizona	194,119	202,350	195,082	171,617	151,526	-22%
Arkansas	73,982	70,563	65,325	59,223	54,751	-26%
California	2,415,121	2,621,383	2,692,202	2,648,772	2,478,689	+2%
Colorado	123,308	118,081	110,742	99,739	87,074	-29%
Connecticut	160,102	164,265	170,719	161,736	155,578	-3%
Delaware	27,652	29,286	26,314	23,153	23,141	-16%
District of Columbia	65,860	72,330	72,330	70,082	67,871	+3%
Florida	701,842	689,135	657,313	575,553	478,329	-32%
Georgia	402,228	396,736	388,913	367,656	305,732	-24%
Hawaii	54,511	60,975	65,207	66,690	65,312	+20%
Idaho	21,116	23,342	24,050	23,547	19,925	-6%
Illinois	685,508	709,969	710,032	663,212	599,629	-13%
Indiana	209,882	218,061	197,225	147,083,	121,224	-42%
Iowa	100,943	110,639	103,108	91,727	78,076	-23%
Kansas	87,525	87,433	81,504	70,758,	57,528	-34%
Kentucky	227,879	208,710	193,722	176,601	161,150	-29%
Louisiana	263,338	252,860	258,180	239,247	206,582	-22%
Maine	67,836	65,006	60,973	56,319	51,031	-25%

Maryland	221,338	219,863	227,887	207,800	169,723	-23%
Massachusetts	332,044	311,732	286,175	242,572	207,932	-37%
Michigan	686,356	672,760	612,224	535,704	460,793	-33%
Minnesota	191,526	189,615	167,949	171,916	159,855	-17%
Mississippi	174,093	161,724	146,319	133,029	108,365	-38%
Missouri	259,039	262,073	259,595	238,052	208,132	-20%
Montana	34,848	35,415	34,313	32,557	26,294	-25%
Nebraska	48,055	46,034	42,038	38,653	36,490	-24%
Nevada	34,943	37,908	41,846	40,491	28,817	-18%
New Hampshire	28,972	30,386	28,671	24,519	20,627	-29%
New Jersey	349,902	334,780	321,151	293,833	256,000	-27%
New Mexico	94,836	101,676	105,114	102,648	89,814	-5%
New York	1,179,522	1,241,639	1,266,350	1,200,847	1,074,100	-9%
North Carolina	331,633	334,451	317,836	282,086	252,564	-24%
North Dakota	18,774	16,785	14,920	13,652	11,904	-37%
Ohio	720,476	691,099	629,719	552,304	518,595	-28%
Oklahoma	146,454	133,152	127,336	110,498	87,144	-40%
Oregon	117,656	116,390	107,610	92,182	66,919	-43%
Pennsylvania	604,701	615,581	611,215	553,148	483,625	-20%
Rhode Island	61,116	62,737	62,407	60,654	54,588	-11%
South Carolina	151,026	143,883	133,567	121,703	97,146	-36%
South Dakota	20,254	19,413	17,652	16,821	14,050	-31%
Tennessee	320,709	302,608	281,982	265,320	194,860	-39%
Texas	785,271	796,348	765,460	714,523	625,376	-20%
Utah	53,172	50,657	47,472	41,145	35,442	-33%
Vermont	28,961	28,095	27,716	25,865	23,515	-19%
Virginia	194,212	194,959	189,493	166,012	135,908	-30%
Washington	286,258	292,608	290,940	276,018	263,792	-8%
West Virginia	119,916	115,376	107,668	98,439	98,311	-18%
Wisconsin	241,098	230,621	214,404	184,209	123,758	-49%
Wyoming	18,271	16,740	15,434	13,531	10,117	-45%

Source:
U.S. Dept. of Health and Human Services
Administration for Children and Families

APPENDIX C

State Maintenance of Effort Levels Required Under P.L. 104-193

STATE MAINTENANCE OF EFFORT LEVELS REQUIRED UNDER P.L. 104-193

State	FY 1994 StateExpenditures 1/	Maintenance of Effort (MOE): 75% MOE Level 2/	80% MOE Level 3/
Alabama	$52,285,491	$39,214,118	$41,828,393
Alaska	65,256,536	48,942,402	52,205,229
Arizona	126,703,568	95,027,676	101,362,854
Arkansas	27,785,269	20,838,952	22,228,215
California	3,643,207,905	2,732,405,929	2,914,566,324
Colorado	110,494,527	82,870,895	88,395,622
Connecticut	244,561,409	183,421,057	195,649,127
Delaware	29,028,092	21,771,069	23,222,474
District of Columbia	93,931,934	70,448,951	75,145,547
Florida	494,558,734	370,919,051	395,646,987
Georgia	231,158,036	173,368,527	184,926,429
Hawaii	97,308,640	72,981,480	77,846,912
Idaho	18,238,307	13,678,730	14,590,646
Illinois	572,027,363	429,020,522	457,621,890
Indiana	151,366,637	113,524,978	121,093,310
Iowa	82,617,695	61,963,271	66,094,156
Kansas	82,332,751	61,749,563	65,866,201
Kentucky	89,891,312	67,418,484	71,913,050
Louisiana	73,886,837	55,415,128	59,109,470
Maine	50,370,048	37,777,536	40,296,038
Maryland	235,953,925	176,965,444	188,763,140
Massachusetts	478,596,697	358,947,523	382,877,358
Michigan	624,691,167	468,518,375	499,752,934
Minnesota	239,660,347	179,745,260	191,728,278
Mississippi	28,965,744	21,724,308	23,172,595
Missouri	160,161,033	120,120,775	128,128,826
Montana	20,919,224	15,689,418	16,735,379
Nebraska	38,628,645	28,971,484	30,902,916
Nevada	33,985,152	25,488,864	27,188,122
New Hampshire	42,820,131	32,115,098	34,256,105
New Jersey	405,274,008	303,955,506	324,219,206
New Mexico	49,933,908	37,450,431	39,947,126
New York	2,281,060,386	1,710,795,290	1,824,848,309
North Carolina	205,567,684	154,175,763	164,454,147
North Dakota	12,092,480	9,069,360	9,673,984
Ohio	520,734,467	390,550,850	416,587,574

Oklahoma	81,667,075	61,250,306	65,333,660
Oregon	123,006,454	92,254,841	98,405,163
Pennsylvania	542,834,133	407,125,600	434,267,306
Rhode Island	80,489,394	60,367,046	64,391,515
South Carolina	47,785,847	35,839,385	38,228,678
South Dakota	11,699,056	8,774,292	9,359,245
Tennessee	110,413,171	82,809,878	88,330,537
Texas	314,299,558	235,724,669	251,439,646
Utah	33,720,733	25,290,550	26,976,586
Vermont	34,204,541	25,653,406	27,363,633
Virginia	170,897,560	128,173,170	136,718,048
Washington	362,747,900	272,060,925	290,198,320
West Virginia	43,601,385	32,701,039	34,881,108
Wisconsin	225,638,309	169,228,732	180,510,647
Wyoming	14,220,435	10,665,326	11,376,348
State Total	**$13,913,281,640**	**$10,434,961,230**	**$11,130,625,312**

1/The State share of expenditures for AFDC benefits, administration, EA, IV-A child care and JOBS in FY 1994. State expenditures may be revised to account for expenditures made by States on behalf of Tribes.

2/States must maintain a level of effort at 75% of FY 1994 expenditures if they meet participation rate requirements.

3/States must maintain a level of effort at 80% of FY 1994 expenditures if they do not meet participation rate requirements.

12-Dec-96

APPENDIX D

Estimated FY 1997 State Allocations for the Child Care and Development Fund

ESTIMATED FY 1997 STATE ALLOCATIONS FOR THE CHILD CARE AND DEVELOPMENT FUND

State	Mandatory Funds 1/	State Share Requirement (MOE) 2/	Matching Funds 3/	FY95 FMAP	State Share of Matching Funds 4/	Discretionary Funds 5/
Alabama	$16,441,707	$6,896,415	$11,097,223	70.45%	$4,654,690	$20,236,065
Alaska	3,544,811	3,544,811	2,028,753	50.00%	2,028,753	1,906,673
Arizona	19,890,997	10,065,324	12,763,447	66.40%	6,458,612	18,512,030
Arkansas	5,300,283	1,886,541	6,627,908	73.75%	2,359,086	11,896,059
California	92,945,658	92,945,659	96,164,172	50.00%	96,164,172	120,466,746
Colorado	10,173,800	8,985,899	10,285,029	53.10%	9,084,141	11,059,692
Connecticut	18,738,357	18,738,357	8,559,338	50.00%	8,559,338	7,224,585
Delaware	5,179,351	5,179,351	1,900,182	50.00%	1,900,182	2,111,607
District of Columbia	4,720,514	4,720,514	1,286,615	50.00%	1,286,615	1,979,409
Florida	43,026,524	33,424,300	35,964,991	56.28%	27,938,689	50,046,337
Georgia	36,522,787	22,167,213	20,202,308	62.23%	12,261,629	32,157,871
Hawaii	5,220,634	5,220,634	3,323,894	50.00%	3,323,894	3,662,385
Idaho	2,867,578	1,175,819	3,492,470	70.14%	1,486,814	5,133,856
Illinois	59,609,473	59,609,473	33,025,568	50.00%	33,025,568	37,705,575
Indiana	26,181,999	15,356,949	15,294,176	63.03%	8,970,739	18,065,411
Iowa	8,877,745	5,299,427	7,298,922	62.62%	4,356,974	9,229,278
Kansas	9,811,668	6,672,989	7,151,279	58.90%	4,990,112	8,898,861
Kentucky	16,701,803	7,274,356	9,863,568	69.58%	4,312,299	17,942,749
Louisiana	13,864,552	5,219,484	12,714,858	72.65%	4,786,667	26,680,153
Maine	3,137,105	1,928,151	3,116,236	63.30%	1,806,728	3,873,126
Maryland	23,301,407	23,301,407	13,667,019	50.00%	13,667,019	13,203,338
Massachusetts	44,973,373	44,973,373	15,376,582	50.00%	15,376,582	14,395,116
Michigan	32,081,922	24,360,587	26,216,778	56.84%	19,907,040	29,217,891
Minnesota	23,367,543	19,690,395	12,863,121	54.27%	10,838,963	13,483,420
Mississippi	6,293,116	1,715,431	7,756,796	78.58%	2,114,413	17,359,322
Missouri	24,668,568	16,548,755	14,257,605	59.85%	9,564,625	18,227,212

Montana	3,190,691	1,315,298	2,371,213	70.81%	977,485	3,212,536
Nebraska	11,338,103	6,955,059	4,539,602	60.40%	2,976,295	5,536,815
Nevada	2,580,422	2,580,422	4,298,070	50.00%	4,298,070	4,133,817
New Hampshire	5,051,606	5,051,606	3,102,286	50.00%	3,102,286	2,566,956
New Jersey	31,662,653	31,662,653	20,975,405	50.00%	20,975,405	18,639,612
New Mexico	8,702,694	3,034,328	5,213,342	73.31%	1,898,024	9,446,628
New York	104,893,534	104,893,534	48,586,869	50.00%	48,586,869	57,492,936
North Carolina	69,639,228	37,978,185	18,951,153	64.71%	10,335,129	28,149,318
North Dakota	2,506,022	1,017,135	1,720,613	68.73%	782,825	2,344,978
Ohio	70,444,793	45,628,354	29,558,734	60.69%	19,145,722	35,119,219
Oklahoma	24,909,979	10,650,305	8,994,937	70.05%	3,845,801	15,232,903
Oregon	19,408,790	11,714,991	8,189,250	62.36%	4,942,966	9,972,899
Pennsylvania	55,336,804	46,628,930	30,311,476	54.27%	25,541,621	32,711,417
Puerto Rico	-	-	-		-	24,955,835
Rhode Island	6,633,774	5,321,126	2,525,420	55.49%	2,025,706	2,720,600
South Carolina	9,867,439	4,087,361	9,805,962	70.71%	4,061,896	18,120,663
South Dakota	1,710,869	802,897	2,095,014	68.06%	983,173	3,155,183
Tennessee	37,702,045	18,975,714	13,556,698	66.52%	6,823,185	20,848,597
Texas	59,844,129	34,681,426	57,033,621	63.31%	33,052,654	92,920,868
Utah	12,591,564	4,474,925	6,836,604	73.48%	2,467,430	9,395,745
Vermont	4,148,060	2,804,331	1,518,524	60.82%	978,227	1,714,663
Virginia	21,328,766	21,328,766	17,051,693	50.00%	17,051,693	19,258,060
Washington	41,948,341	38,768,113	14,818,125	51.97%	13,694,719	15,904,935
West Virginia	8,840,727	2,971,393	4,132,279	74.60%	1,406,969	7,719,175
Wisconsin	24,511,351	16,470,677	13,858,837	59.81%	9,312,601	14,923,937
Wyoming	2,815,041	1,553,781	1,347,236	62.87%	795,656	1,626,938
State Total	**$1,199,050,700**	**$908,252,925**	**$723,691,800**		**$551,286,747**	**$972,500,000**

NOTE: *Mandatory, Matching and Discretionary funds have been reduced by one quarter of one percent for technical assistance, pursuant to 45 CFR 98.60(a)(1). Mandatory and Matching funds have been reduced by the tribal set-aside. Discretionary funds have been reduced by the tribal and territorial set-aside. Territories are not eligible for Mandatory or Matching funds.*

1. *Mandatory Funds are allocated based on the Federal share of expenditures for IV-A child care in FY 1994, FY 1995, or the average of FY 1992-1994, whichever is*

greatest. Allocations are based on expenditure data as of Feb. 28 and April 28, 1995.

2. Preliminary calculation based on available aggregate data; may need to be adjusted. In order to be eligible for Matching Funds, States are required to maintain the greater of FY 1994 or FY 1995 expenditures for IV-A child care.

3. Matching Funds are allocated according to the proportion of children under age 13 using Census data as of July, 1995 (in accordance with the At-Risk Child Care program allocation formula). Each State's maximum allocation is shown; unused funds will be redistributed among States.

4. State expenditures above the MOE level are matched based on the FY 1995 FMAP rate.

5. Discretionary allocation is preliminary and based on the $1 billion in authorized funds. Final State allocations may change. For Discretionary Funds, Puerto Rico is included in the State allocation formula

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APPENDIX E

Time Limits

Time Limits on Assistance

Under the new federal welfare law, recipients may not receive more than 60 cumulative months of assistance in a lifetime. Many states intend to implement the federal maximum time limit. However, states may choose to impose shorter time limits on assistance. The following chart presents the time limits which states have either expressed in their state plans, waivers, or state laws, or which are currently under consideration by state governors or legislatures. Brackets indicate that the time limit described is under consideration. Many states are at this time debating the issue of time limits in their legislatures. Therefore, check with your state for changes in the information here presented.

Alabama: 60 month lifetime limit.

Arizona: Benefits limited to no more than 24 months out of 60 consecutive months. 60 month lifetime limit.

Arkansas: 24 month lifetime limit.

California: [Benefits limited to no more than 12 months out of 24 consecutive months; an additional 12 months of assistance are available after a family does not receive assistance for 12 consecutive months. 60 month lifetime limit.]

Connecticut: 21 month limit with 6 month extensions available to specified recipients. Connecticut does not intend to implement a lifetime limit.

Delaware: Benefits limited to 48 months, with some extensions available.

D.C.: 60 month lifetime limit.

Florida: Benefits limited to no more than 24 months out of 60 consecutive months or 36 months out of 72 consecutive months for specified cases. 48 month lifetime limit.

Georgia: 48 month lifetime limit.

Hawaii: 60 month lifetime limit.

Illinois: 60 month lifetime limit. Families whose youngest child is 13 or older are limited to 24 months of assistance. Assistance provided to families with twenty hours of earnings per week or to families headed by teen parents will be provided from state funds only and will not be counted against the 60 month lifetime limit.

Indiana: 24 month lifetime limit; an extra month of benefits is earned for every 6 months of work, with a 24 month cap on the extra months of benefits.

Iowa: 60 month lifetime limit.

Kansas: 60 month lifetime limit.

Kentucky: 60 month lifetime limit.

Louisiana: Benefits limited to no more than 24 months out of 60 consecutive months. 60 month lifetime limit.

Maine: 60 month lifetime limit.

Maryland: 60 month lifetime limit.

Mass.: Benefits limited to no more than 24 months out of 60 consecutive months; Massachusetts does not intend to implement a lifetime limit.

Michigan: 60 month lifetime limit.

Minnesota: 60 month lifetime limit.

Mississippi: 60 month lifetime limit.

Missouri: 60 month lifetime limit.

Montana: Benefits are limited to 24 months, with an extension available for up to 36 additional months.

Nebraska: 24 month limit on assistance, with extensions available in some cases.

Nevada: 60 month lifetime limit.

N.H.: 60 month lifetime limit.
New Jersey: 60 month lifetime limit.
New Mexico: 36 month lifetime limit.
New York: [60 month lifetime limit.]
N.C.: 60 month lifetime limit.
N.D.: 60 month lifetime limit.
Ohio: Benefits limited to 36 months, with 24 additional months of assistance available after a break from assistance of 24 consecutive months.
Oklahoma: 60 month lifetime limit.
Oregon: Benefits limited to no more than 24 months out of 84 consecutive months.
Penn.: 60 month lifetime limit.
R.I.: 60 month lifetime limit.
S.C.: Benefits limited to no more than 24 months out of 120 consecutive months, with few exceptions. 60 month lifetime limit.
S.D.: Benefits limited to no more than 6 months out of 12 consecutive months for two parent families. 60 month lifetime limit.
Tennessee: An 18 month cap on consecutive months of assistance, which may be increased to 24 months in counties with a specified rate of unemployment. 60 month lifetime limit.
Texas: 12 - 36 month limit, depending on work experience and functional literacy. When time limit is reached, the parent/caregiver loses assistance for five years; children continue to receive assistance at a reduced level.
Utah: 36 month lifetime limit, which may be extended depending on work history, not to exceed 60 months of assistance.
Vermont: 60 month lifetime limit.
Virginia: Benefits limited to no more than 24 months out of 60 consecutive months, with some exceptions. 60 month lifetime limit.
Washington: 60 month lifetime limit.
W.V.: 60 month lifetime limit.
Wisconsin: 60 month lifetime limit.
Wyoming: 60 month lifetime limit.

For more information, contact Cristina Firvida of the Children's Defense Fund 202-662-3556.

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